



Utility Management Review Board Meeting

April 18, 2019



JUSTIN P. WILSON
Comptroller

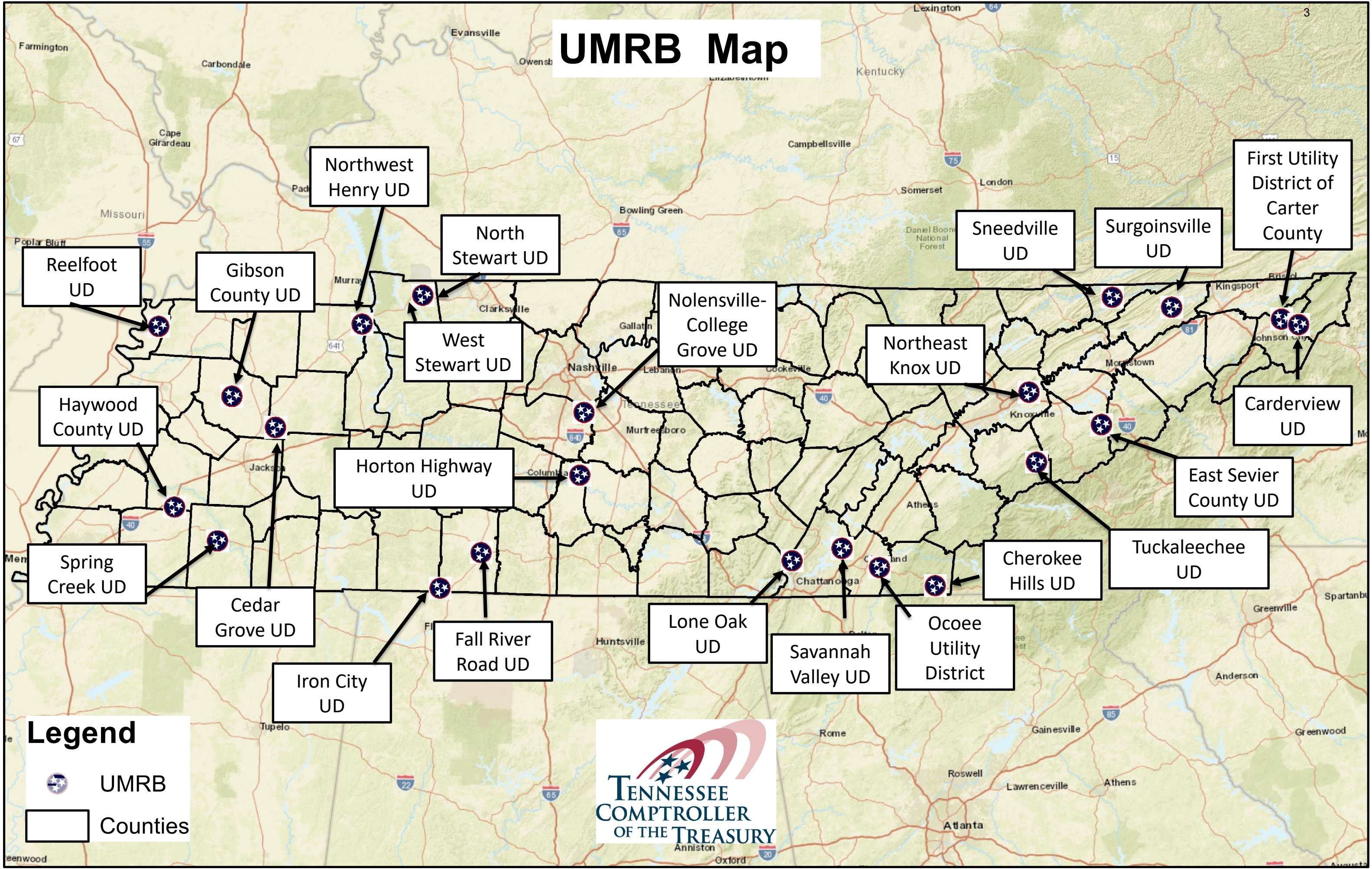
JASON E. MUMPOWER
Deputy Comptroller

Agenda
Utility Management Review Board
April 18, 2019
10:00 AM

- | | | |
|-------|--|-------------------|
| I. | Call to Order | Ann Butterworth |
| II. | Conflict of Interest Statement | Stephanie Maxwell |
| III. | Staff Update- Page 4 | John Greer |
| IV. | Approval of Minutes- Page 5 | |
| V. | Horton Highway Utility District Investigation- Page 14 | |
| VI. | Financial- Page 132 | |
| | a. Staff Recommended Action | |
| | i. North Stewart Utility District- Page 134 | |
| | ii. Reelfoot Utility District- Page 156 | |
| | iii. Sneedville Utility District- Page 171 | |
| | b. No Staff Recommended Action | |
| | i. Fall River Road Utility District- Page 188 | |
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| VII. | Recommended for Release- Page 221 | |
| | a. Financially Distressed Entities to Release | |
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| | vi. West Stewart Utility District- Page 233 | |
| | b. Water Loss Entities to Release | |
| | i. Non- Revenue Water- Page 235 | |
| | 1. First Utility District of Carter County- Page 236 | |
| | 2. Ocoee Utility District- Page 238 | |
| | 3. Tuckaleechee Utility District- Page 240 | |
| | ii. Validity Score Entities to Release- Page 242 | |
| | 1. Spring Creek Utility District- Page 243 | |
| VIII. | Miscellaneous | |
| | a. Board Investigations- Page 245 | |
| | i. Carderview Utility District- Page 246 | |
| | ii. Iron City Utility District- Page 264 | |
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- b. Comptroller Investigation
 - i. Northeast Knox Utility District- Page 271
- c. Consolidation
 - i. Lone Oak Utility District- Page 278
- d. Water Loss Update- Page 292
- e. Meeting Resolution- Page 293
- f. Board Discussion- Page 295

UMRB Map



Legend

- UMRB
- Counties





Staff Update



Approval Of Minutes

MINUTES
of the
UTILITY MANAGEMENT REVIEW BOARD MEETING
Thursday, October 18, 2018
10:00 am

Greeting:

Chair Ann Butterworth detected a quorum and called to order the meeting of the Utility Management Review Board (“the Board”) in the Volunteer Conference Center on the 2nd Floor of the Cordell Hull Building in Nashville, TN.

Board Members Present and Constituting A Quorum:

Ann Butterworth, Chair, Comptroller Designee
Tom Moss, Vice-Chair, Department of Environment and Conservation (“TDEC”) Commissioner Designee
Pat Riley, Gibson County Utility District Manager
Rebecca Hunter, Hixson Utility District Commissioner
Dan Coley, Mallory Valley Utility District Commissioner
Bruce Giles, First Utility District of Knox County Manager
Kevin Botts, Consumer Representative

Board Members Absent:

Tim Pelham, West Warren Viola Utility District Manager
Jason West, Second South Cheatham Utility District Commissioner

Staff Present:

John Greer, Comptroller’s Office
Lauren Cecil, Comptroller’s Office

Counsel Present:

Rachel Buckley, Comptroller’s Office

Staff Update:

The Board members formally introduced themselves. Mr. Greer introduced Rachel Buckley as the new counsel for both of the state utility boards.

Conflict of Interest Statement:

Ms. Buckley read the following statement. “The Board was created to act for the public welfare and in furtherance of the legislature’s intent that utility systems be operated as self-sufficient enterprises. Board members are not authorized to participate in the discussion of or to vote on matters involving entities in which the Board member has a financial interest, with which the Board member has a conflict of interest, with which the Board member has a contract of employment, or if there is any appearance of impropriety.”

Announcements:

Mr. Greer described the time he spent with the commissioners of Cookeville Boat Dock Road Utility District, which is improving and profiting. Mr. Greer then updated the Board on Savannah Valley Utility District, reminding the Board that it started an investigation two years prior due to the large debt load. Savannah Valley Utility District will have three new board members after the first of the year, and Mr.

Greer expects that it will be in a position to be released from the Board's oversight at the Board's next meeting.

Approval of Minutes:

Ms. Butterworth presented the approval of the February 22, 2018, minutes. Ms. Hunter moved to approve the minutes as written. Mr. Giles seconded the motion, which passed unanimously.

Miscellaneous:

Ms. Butterworth suggested, pending the Board's approval, to move consideration of Horton Highway Utility District and Belvidere Utility District to the top of the agenda because the Districts had representatives in the audience. The Board approved.

Horton Highway Utility District

The Board heard an update on Horton Highway Utility District from Mr. Greer. John Sanford, the Chairman of the Board of Commissioners, and Tim Harbor, the manager of the District were in the audience and gave an update on the District's situation. The District's representatives contended that some of the commissioners had missed training because the District was unaware of the training requirements. Mr. Giles made a motion for the Board to open an investigation of Horton Highway Utility District and Mr. Riley seconded. There was no discussion, and the motion passed unanimously.

Water Loss:

Belvidere Utility District

The Board heard an update on Belvidere Utility District from Mr. Greer. Todd Fowler, the manager for Belvidere Utility District, was in the audience but did not have comments for the Board. Staff had no recommendation. No action was taken.

Financial:

Arthur Shawnee Utility District

The Board heard an update on Arthur Shawnee Utility District from Mr. Greer. Staff recommended the Board order the following:

- 1. The District shall have the Tennessee Association of Utility Districts ("TAUD") or another qualified expert update the February 23, 2018 rate study.**
- 2. The District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint an eligible commissioner in accordance with the law.**
- 3. The District shall provide the updated rate study and, if needed, a proposed plan of action to Board staff by January 31, 2019. Board staff shall hold a public hearing, if necessary, on the new proposed plan of action after receiving the completed study.**
- 4. The District shall send financial updates to staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**

Mr. Riley motioned to implement staff recommendations, and Mr. Botts seconded the motion. The motion passed unanimously.

Bedford County Utility District

The Board heard an update on Bedford County Utility District from Mr. Greer. No action was taken.

Carderview Utility District

The Board heard an update from Mr. Greer on Carderview Utility District, which was referred for financial distress. Staff recommended the Board order the following:

1. **Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).**
2. **The District shall adopt the preferred recommendations of the TAUD staff at the first meeting of the District's board of commissioners following the public hearing referenced in paragraph 1.**
3. **The District shall adopt a rate increase annually based on the CPI, but each annual increase shall be no less than 3%.**
4. **The District shall review all bond covenants to determine whether required reserve accounts are funded properly.**
5. **The District shall provide an update to Board staff with minutes and documentation that reflect adoption of the required rate increase and its effective date, and an analysis of the required bond covenants no later than December 31, 2018.**
6. **The District may request up to a one-month extension from staff, and staff may grant the extension should it determine the extension is necessary and appropriate.**
7. **The District shall send financial updates to staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**

Mr. Giles moved to approve the recommendations, and Mr. Moss seconded the motion. Mr. Botts inquired as to the vacancy in the manager position. With the concurrence of Mr. Moss, Mr. Giles rescinded his motion. The Board amended the staff recommendations to the following:

1. **Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).**
2. **The District shall adopt the preferred recommendations of the TAUD staff at the first meeting of the District's board of commissioners following the public hearing referenced above in paragraph 1.**
3. **The District shall adopt a rate increase annually based on the CPI, but each annual increase shall be no less than 3%.**
4. **The District shall review all bond covenants to determine whether required reserve accounts are funded properly.**
5. **No later than December 31, 2018, the District shall provide an update to Board staff with minutes and documentation that reflect adoption of the required rate increase and its effective date and an analysis of the required bond covenants.**
6. **The District may request up to a one-month extension from Board staff, and Board staff may grant the extension should it determine the extension is necessary and appropriate.**
7. **The District shall send financial updates to Board staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**
8. **Board staff shall conduct an investigation of the District pursuant to Tenn. Code Ann. § 7-82-709(a) to determine the financial, technical, and managerial capacity of the District to comply with the law.**

Mr. Giles moved to approve the amended recommendations, and Mr. Botts seconded the motion. There was no discussion. The motion passed unanimously.

Cedar Grove Utility District

The Board heard an update from Mr. Greer about Cedar Grove Utility District. No action was taken.

Chanute Pall Mall Utility District

The Board heard an update from Mr. Greer about Chanute Pall Mall Utility District. No action was taken.

Crockett Public Utility District

Mr. Greer updated the Board about Crockett Public Utility District which was referred for being financially distressed. Staff recommended the Board order the following:

1. **The District shall adopt a five-year capital asset plan with the assistance of the TAUD or another qualified expert.**
2. **The District shall send Board staff the required capital asset plan by March 1, 2019.**
3. **The District shall send financial updates to staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**

Ms. Hunter moved to approve staff recommendations, and Mr. Coley seconded. There was no discussion. The motion passed unanimously.

Fall River Road Utility District

The Board heard an update about Fall River Road Utility District which had been referred for financial distress. Staff recommended the following:

1. **The District shall have the TAUD or another qualified expert complete paragraph 2 of the March 1, 2018 order.**
2. **Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).**
3. **After the public hearing, the District shall adopt and implement all rate study recommendations.**
4. **The District shall send financial updates to staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**

The Board discussed the need to include December 31, 2018, as a due date for the rate analysis. Staff recommended the Board order the following:

1. **The District shall have the TAUD or another qualified expert complete paragraph 2 of the March 1, 2018 order by December 31, 2018.**
2. **Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).**
3. **After the public hearing, the District shall adopt and implement all rate study recommendations.**
4. **The District shall send financial updates to Board staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**

Mr. Moss moved to approve the amended staff recommendations. Ms. Hunter seconded the motion. There was no discussion. The motion passed unanimously.

Gibson County Utility District

Mr. Riley recused himself. The Board heard an update about Gibson County Utility District from Mr. Greer. Staff recommended the following:

- 1. The District shall send financial updates to staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**

Mr. Giles moved to approve staff recommendations. Mr. Moss seconded the motion. There was no discussion. The motion passed unanimously, with Mr. Riley not voting.

Griffith Creek Utility District

The Board heard an update on Griffith Creek Utility District from Mr. Greer. Staff recommended the following:

- 1. The District shall have the TAUD or another qualified expert perform a rate study to include:**
 - a. a review of the nine repeat audit findings and possible steps for correction;**
 - b. a review of current water loss practices;**
 - c. a review of the capitalization and debt management policy; and**
 - d. a review of the District's five-year capital asset plan.**
- 2. The District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-83-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.**
- 3. The District shall provide the completed rate study and a proposed plan of action to Board staff by April 30, 2019. Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).**
- 4. The District shall send financial updates to staff by March 1 and September 1 of each year beginning September 1, 2019, until the Board releases the District from its oversight.**

Mr. Botts moved to approve staff recommendations. Ms. Hunter seconded the motion. There was no discussion. The motion passed unanimously.

Haywood County Utility District

The Board heard an update about Haywood County Utility District from Mr. Greer. No action was taken.

Iron City Utility District

The Board heard an update about Iron City Utility District from Seth Rye, project engineer, Rye Engineering. No action was taken.

Nolensville College Grove Utility District

The Board heard an update about Nolensville College Grove Utility District from Mr. Greer. No action was taken.

Northeast Henry Utility District

The Board heard an update from Mr. Greer. Staff recommended the following:

1. **The District shall have the Tennessee Association of Utility Districts or another qualified expert assist in creating a 5-year capital asset plan.**
2. **The District shall finalize a plan for reviewing its capital asset list annually.**
3. **The District shall drop the minimum bill free gallons to 1,000 gallons effective July 1, 2019.**
4. **The District shall raise rates annually, starting July 1, 2021, by the Consumer Price Index, but the increase in such rates shall be no less than 2.0%.**
5. **The District shall send an update on paragraphs one and two of this order to staff by March 1, 2019;**
6. **The District shall send financial updates to staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**

Mr. Riley moved to approve staff recommendations. Ms. Hunter seconded the motion. There was no discussion. The motion passed unanimously.

Northwest Henry Utility District

Mr. Greer gave an update. Staff recommended the following:

1. **The District shall have the TAUD or another qualified expert:**
 - a. **perform a rate study;**
 - b. **create a five-year capital asset plan with the assistance of the District;**
 - c. **review the District's capital asset list with the assistance of the District; and**
 - d. **provide a proposed plan of action for future revenue needs.**
2. **The District shall provide an update on paragraph one of this order, including the rate study and any recommendations made by the qualified expert, to Board staff by March 1, 2019.**
3. **After receipt of the rate study and recommendations, Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b); and**
4. **The District shall send financial updates to staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**

Mr. Moss moved to approved staff recommendations, and Ms. Hunter seconded the motion. The motion passed unanimously.

Springville Utility District

Mr. Greer gave an update on Springville Utility District. No action was taken.

Surgoinsville Utility District

Mr. Greer gave an update on Surgoinsville Utility District. No action was taken.

Tansi Utility District

Mr. Greer gave an update on Tansi Utility District which has been dissolved. No action was taken.

Investigation:

Cherokee Hills Utility District

Mr. Greer gave an update on Cherokee Hills Utility District. Staff recommended the following:

1. **The District shall send an update to staff no later than March 1, 2019.**

Chair Butterworth recommended the following amendments:

1. **The Board amends its August 23, 2018 order to extend the District's time to complete meter installation to December 31, 2018.**
2. **The District shall send an update to Board staff no later than March 1, 2019.**

Chair Butterworth moved to approve the amended staff recommendations, and Mr. Botts seconded. The motion passed unanimously.

Water Loss:

Minor Hill Utility District

Mr. Greer gave an update on Minor Hill Utility District. No action was taken.

Spring Creek Utility District

Mr. Greer gave an update on Spring Creek Utility District. No action was taken.

Tuckaleechee Utility District

Mr. Greer gave an update on Tuckaleechee Utility District. No action was taken.

Petition

Martel Utility District

Mr. Greer gave an update on the petition related to the Martel Utility District. The petitioners failed to obtain the signatures required for the Board to consider the petition. No action was taken.

Miscellaneous

Witt Utility District

Mr. Greer gave an update on Witt Utility District. No action was taken.

2019 Board Meeting Resolution

Board staff recommended the following dates for 2019 meetings: April 18, July 18, and October 17. The Board amended the resolution to include that the time of the meetings be set at 10:00 am. Mr. Coley moved to approve the meeting resolution, and Mr. Moss seconded. The motion passed unanimously.

Next Board Meeting

The next meeting will occur on December 13, 2018. Mr. Greer is unable to attend the next meeting.

Board Discussion

Mr. Greer mentioned that a new utility specialist position had been established and the hiring process had begun. Once the meeting was adjourned, the Board would hear from an administrative law judge regarding the general procedures related to contested case hearings under the Uniform Administrative Procedures Act. Such discussion would not be case-specific.

Ms. Butterworth adjourned the meeting at 11:38 a.m.

Respectfully submitted,

**Ann Butterworth
Chair**



Horton Highway Utility District

Horton Highway Utility District

	2016	2017	2018
Utility Revenue	\$2,518,655.00	\$2,914,646.00	\$0.00
Other Revenue	\$197,672.00	\$79,804.00	\$0.00
Operating Revenue	\$2,716,327.00	\$2,994,450.00	\$0.00
Operating Expenses	\$2,485,810.00	\$2,692,794.00	\$0.00
Operating Income	\$230,517.00	\$301,656.00	\$0.00
Non-Operating Revenues (Expenses)	\$12,579.00	\$158,017.00	\$0.00
Change In Net Position	\$243,096.00	\$459,673.00	\$0.00
Grant/Capital Contribution	\$0.00	\$0.00	\$0.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Horton Highway Utility District Findings

The Utility Management Review Board ("the Board") met on October 18, 2018, to review the status of Horton Highway Utility District ("the District") pursuant to Tenn. Code Ann. § 7-82-701(a). Specifically, the Board received reports that the District's commissioners were not appointed accordance with the law nor had they received their legally required training. Given these deficiencies, the Board expressed concern that the District may have additional shortcomings in its financial, technical and managerial capacities. After considerable discussion and hearing from representatives from the District, the Board formally initiated an investigation of the District pursuant to Tenn. Code Ann. § 7-82-709(a), with a focus on the financial, technical, and managerial capacity of the District to comply with the law.

Board staff reviewed documentation and interviewed all District employees and board members. In the course of our investigation we noted the following deficiencies:

1. Commissioners failed to receive training:

- John Sanford was appointed to the District board on May 1, 1991. His first reappointment after the training requirement became mandatory was January 12, 2012. Mr. Sanford completed his first 12 hours of training on October 15, 2018.
- Garry Lawrence was appointed by the District board on March 3, 2017. Mr. Lawrence failed to receive training within the first 12 months of his term. He completed 12 hours of training on October 15, 2018.
- Terry Greene was appointed by the District board on August 9, 2018. Mr. Greene completed his first 12 hours of training on October 15, 2018. Mr. Greene has currently satisfied his training requirement.

2. Commissioners received unauthorized payments

- Tenn. Code Ann. § 7-82-308(f)(4) provides:
Each utility district commissioner shall certify by January 31 of each year the training and continuing education courses attended during the prior calendar year by filing an annual written statement with the utility district on a form developed by the comptroller. Each annual statement shall identify the date of each course attended, its subject matter, location, sponsor, and the hours attended for each course and shall include a certificate of attendance for each

course listed on the annual statement. Each utility district commissioner shall be responsible for obtaining a certificate of attendance certifying that the utility district commissioner attended the course, on a form acceptable to the comptroller. The failure to file the annual statement shall cause a commissioner to be ineligible to receive any further payment or benefit as provided in subsection (a) until the annual written statement is filed.

- John Sanford has received unauthorized payments totalling \$14,600 due to not filing the required annual training statement until October 18, 2018.
- Garry Lawrence has received unauthorized payments totalling \$2,600 due to not filing the required annual training statement until October 18, 2018.
- Terry Greene was not required to file a training statement until January 31, 2019 and has met the requirement.

3. Commissioners were not properly appointed

- Beginning July 1, 2014 Horton board members were required to be appointed by their respective county mayor in accordance with Tenn. Code Ann. § 7-82-307.
- Mr. Sanford has not been properly appointed by the Williamson County Mayor. Mr. Sanford was reappointed by the District board in 2016 and has not been reappointed since.
- Garry Lawrence was appointed by the District board on March 3, 2017. Mr. Lawrence was appointed by the Marshall County Mayor on January 9, 2019.
- Mr. Greene was appointed by the District board on August 9, 2018. Mr. Greene was appointed by the Rutherford County Mayor on January 23, 2019.

4. Possible Direct Conflict of Interest of a Board member

- Tenn. Code Ann. § 12-4-101(a)(1) provides:
It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract.
- Tenn. Code Ann. § 12-4-102 provides:
Should any person, acting as such officer, committee member, director, or other person referred to in § 12-4-101, be or become directly or unlawfully indirectly interested in any such contract, such person shall forfeit all pay and compensation therefor. Such officer shall be dismissed from such office the officer then occupies, and be ineligible for the same or a similar position for ten (10) years.

- Garry Lawrence was appointed by the District Board on March 3, 2017.
- The District paid \$12,719 to Lawrence Bros. Plumbing, Electric and HVAC, INC. for goods and services from March 2017 until February 1, 2019 when the business was dissolved.
- In June 2017, Commissioner Lawrence directed the District manager to install lights at the District workshop due to the Chappell Hill Tractor Pull being held there. Mr. Lawrence supplied all materials. Staff located Invoices from Lawrence Bros. Plumbing, Electric & HVAC, Inc. for \$2,621.92, for LED Lights and Installation outside of the building. The project was not voted on by the District Board or bid out.
- Staff determined that Lawrence Bros., Inc. is not a sole source supplier of any materials or supplies the District purchased.

5. Questionable Spending Practices

- The District has a \$5,000 limit for the Manager to spend before a project must be bid out. The manager informed Board staff that he typically bids anything over \$3,000.
- Board staff found an invoice from Clint's Air Care, Inc. on 1/23/18 for \$4,400.00 for LED lights and installation in the workshop. Staff found another invoice from Clint's Air Care, Inc. on 1/26/18 for \$2,450.64 for LED lights and installation in the workshop. While staff was told that the project was done in two phases due to not knowing the number of lights needed, the project should have been bid out pursuant to the District's policies and procedures.
- The District has an unwritten policy of purchasing supplies from local business that are customers of the District in an alternating rotation. This practice may lead to the District spending more money than necessary on supplies.

6. Code Violations at the Manager's Residence

- On December 13, 2018, the District's board had received an anonymous letter dated December 6, 2018. The letter discussed belief by the sender that unnamed employees have been bypassing their meter to steal gas from the system.
- This letter led to an inspection at all employee residences conducted by employees of the system.
- At the residence of manager Tim Harber, there were 11 code violations found.
- The number and severity of these violations may hurt the public trust of customers in regard to safety.
- After these code violations were found, all violations were corrected promptly by the manager.
- There was no evidence found suggesting any employees were stealing gas.

7. Questionable practices by the manager

- In 2017 and 2018, Manager Tim Harber and Assistant Manager Mark Curtis attended the TGA Annual Meeting. At these conferences, UMRB staff led a

training regarding utility district commissioner training requirements. Even so, the District's board members were still uninformed regarding the training.

- When questioned about the matter, staff was informed that the conferences were meant to be a time of discussion with other districts to confer on best practices and not necessarily to attend classes.
- The District manager would frequently loan tools and supplies to private businesses. The practice was stopped by the Board chairman effective October 9, 2017.

Staff Recommendations Related to Each Finding

1. Commissioners failed to receive training

- John Sanford was ineligible to be reappointed in 2016. The Board should initiate a contested case hearing on the question of whether Mr. Sanford should be removed from office on the grounds that he failed to perform a duty imposed by law on his office.
- The Board should initiate a contested case hearing on the question of whether Mr. Lawrence should be removed from office on the grounds that he failed to perform a duty imposed by law on his office.

2. Commissioners received unauthorized payments

- The Board should order the District to seek the repayment of \$14,600 from Mr. Sanford, and \$2,600 from Mr. Lawrence.
- The Board should initiate a contested case hearing on the question of whether Mr. Lawrence and Mr. Sanford should be removed from office on the grounds that they failed to perform a duty imposed by law on their office or failed to fulfill their fiduciary responsibility.

3. Commissioners were not properly appointed

- Mr. Sanford is the only member not correctly appointed. The District has indicated to staff that this will be corrected.

4. Possible Direct Conflict of Interest of a Board member

- The Board should order the District to consult with the local district attorney regarding possible violations of conflict of interest statutes.
- The Board should initiate a contested case hearing on the question of whether Mr. Lawrence should be removed from office on the grounds that he failed to perform a duty imposed by law on his office or failed to fulfill his fiduciary responsibility.

5. Questionable Spending Practices

- The Board should order the District to hire the Tennessee Association of Utility Districts, or another qualified expert as approved by staff, to receive additional staff and board training on proper purchasing procedures and policies.
- The Board should order the District to hire the Tennessee Association of Utility Districts, or another qualified expert as approved by staff, to develop best practice policies related to all District purchases.
- The Board should order a change in management as set forth in Tenn. Code Ann. § 7-82-709(a).

6. Code Violations at Manager's Residence

- The code violations have been corrected.

7. Questionable practices by the manager

- The Board should order a change in management as set forth in Tenn. Code Ann. § 7-82-709(a).



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

October 23, 2018

Dawn Lovins
Office Manager
Horton Highway Utility District
P.O. Box 85
Chapel Hill, TN 37034

Dear Ms. Lovins:

The Utility Management Review Board (“the Board”) met on October 18, 2018, to review the status of Horton Highway Utility District (“the District”) pursuant to Tenn. Code Ann. § 7-82-701(a). Specifically, the Board received reports related to the District’s failure to have its commissioners appointed in accordance with the law and the District’s commissioners’ failure to receive their legally required training. Given these deficiencies, the Board expressed concern that the District may have additional oversights in its financial, technical and managerial capacities as well.

After considerable discussion and hearing from representatives from the District, the Board took formal action to initiate an investigation of the District pursuant to Tenn. Code Ann. § 7-82-709(a), which will focus on the financial, technical, and managerial capacity of the District’s system to comply with the law. As such, it is in the best interest of the District to cooperate and communicate with our office to the fullest extent possible during this investigation.

As a first step in the investigation, Board staff requests the following documents and information pursuant to Tenn. Code Ann. § 7-82-709(a) and Tenn. Comp. R. & Regs. 1715-01-.03(2) by December 31, 2018:

- A list of all training classes and conferences attended by the general manager and office manager from January 1, 2014 to the present
 - A copy of all payments made for attendance of said training, including reimbursements costs for travel and meals, from January 1, 2014 to the present
- A list of training programs provided by MTAS or other entities to the District from January 1, 2014 to the present
 - Please provide copies of payments made to the training providers
- A list of all bank accounts
 - Please provide bank statements for each account including cancelled check images from January 1, 2018 to the present
- A list of any credit card or charge card accounts



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

- Please provide credit/charge card account statements from January 1, 2018 to the present
- Please provide fuel card statements (if applicable) from January 1, 2018 to the present
- Please include a list of accounts related to equipment rentals and leases
- A detailed list of all payments (or reimbursements) made to the District commissioners from January 1, 2011 to the present
- A detailed list of all loans or other obligations currently held by the District
- A list of payments made to any businesses owned by or associated with commissioners or employees from January 1, 2014 to the present
- Records from January 1, 2018 to the present pertaining to petty cash, including receipts and detailed purchase records
- Salary and benefit details for all employees
 - Please break down salaries by employee
 - Please include any insurance or retirement benefits paid for by the District broken down by employee
 - Please include benefits such as phones provided by the District to all employees
 - Detailed cellular bills paid for by the District (if applicable) from January 1, 2014 to the present
 - A list of vehicles provided by the District and to whom they are provided
- A summary of customers by class (e.g. residential, commercial)
- A list of current customers
- A copy of the District's most recent inspection report from the Tennessee Public Utility Commission
- A copy of the District's most recent inspection report from OSHA
- Does the District provide safety training for employees?
 - Please provide documentation including a list of classes provided and the costs associated with said safety training

Please submit the requested information to either utilities@cot.tn.gov, and/or the following mailing address:

Utility Management Review Board
ATTN: John Greer
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

If you need further assistance or have any questions, please feel free to contact John Greer at (615) 747-5260 or utilities@cot.tn.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rachel E. Buckley".

Rachel E. Buckley
Counsel to the Utility Management Review Board

cc: John Greer, Utilities Specialist
John Sanford, Chairman, Horton Highway Utility District Board of Commissioners



Lawrence Bros., Inc.

Outside Light Installation

LAWRENCE BROS.
PLUMBING, ELECTRIC & HVAC, INC.

26

Appliances, Electrical
Air Conditioning & Plumbing



Contracting, Sales
Service & Installation

DATE 6-8/6-28/
7-18-17

P.O. Box 8 • 201 South Main
Chapel Hill, Tennessee 37034
Phone (931) 364-2234
Fax (931) 364-2235

Horton Highway Utility Dist.

INV. NO. H 177181

Chapel Hill, TN

Re: Lights

QUANTITY	SIZE	ITEM	EACH	TOTAL
6	50W	LED Wall packs	149.00	894.00
1	120v	photo cell		16.95
1	80W	LED wall pack		199.00
1		LED canopy light		179.00
60'	12-2	MC cable w/ground	.77	46.20
9	3/8	MC straps	.29	2.61
3		set screw MC connectors	1.05	3.15
5	3/8	MC quick connectors	1.29	6.45
1		8'-4 blub T-8 fixture		51.95
4		F32T8SP50 T-8 bulbs	2.99	11.96
2	4"	square junction boxes	2.49	4.98
1		industrial switch cover		1.99
32	10x1	screws	.05	1.60
5	76	wire nuts	.22	1.10
1		greenie wire nut		.44
3	74	wire nuts	.18	.54
		Total Material		1421.92
		Labor & Aerial lift to upgrade exterior lights to LED		1200.00
		TOTAL		\$2621.92

Randy
Jason



Lawrence Bros., Inc.

Payments While
Serving on Board

Month Year	Lawrence Brothers
Mar-17	\$ 2,471.57
Apr-17	\$ 2,931.15
May-17	\$ 398.50
Jun-17	\$ 948.00
Jul-17	\$ 221.43
Aug-17	\$ 2,698.69
Sep-17	\$ 109.29
Oct-17	\$ 358.30
Nov-17	\$ 309.65
Dec-17	\$ 162.92
Jan-18	\$ 123.16
Feb-18	\$ 130.89
Mar-18	\$ 49.68
Apr-18	\$ 206.93
May-18	\$ 441.94
Jun-18	\$ 182.04
Jul-18	\$ 82.83
Aug-18	\$ 87.07
Sep-18	\$ 144.92
Oct-18	\$ 173.20
Nov-18	\$ 219.99
Dec-18	\$ 158.54
Jan-19	\$ 108.98
Feb-19	\$ -
Mar-19	\$ -

120.35
149.82
199.40
2010.00

Check No:

00019024 LAWRENCE BROS.

03/09/2017

2471.57

19102

2375.19
~~300.86~~
20.76
9.99
34.29
47.64
132.42

Check No: 00019102 LAWRENCE BROS.

04/03/2017

2931.15

Handwritten scribbles

19224

3131.50
333.04
233.96

Check No: 00019224 LAWRENCE BROS.

05/02/2017

398.50

19381

~~32~~ 55.71
25.00
311.46
160.80
23.73
28.00
20.25
13.42
109.63

Check No: 00019381 LAWRENCE BROS.

06/13/2017

948.00

19462
204.24
17.19
33

Check No: 00019462 LAWRENCE BROS.

07/07/2017

221.43

19565

26234.92
28.07
48.70

Check No: 00019565 LAWRENCE BROS.

08/04/2017

2698.69

19697

~~35~~.98
19.93
25.38

Check No: 00019697 LAWRENCE BROS.

09/07/2017

109.29

19778

204.19
~~26~~.70
86.16
1.49
17.76

Check No: 00019778 LAWRENCE BROS.

10/05/2017

358.30

19882

48.70
177.18
15.04
94.95
28.00
5.78

Check No: 00019882 LAWRENCE BROS.

11/03/2017

309.65

20004

48.70
~~38~~7.48
66.74

Check No: 00020004 LAWRENCE BROS.

12/05/2017

162.92

20098

68.71
39 28.00
5.98
20.47

Check No: 00020098 LAWRENCE BROS.

01/03/2018

123.16

20235

66.14
~~40~~.75

Check No: 00020235 LAWRENCE BROS.

02/08/2018

130.89

20328
5.38
~~414.30~~

C
Check No: 00020328 LAWRENCE BROS.

03/09/2018

49.68

20432
118.25
~~424.69~~
5.99
28.00

Check No: 00020432 LAWRENCE BROS.

04/11/2018

206.93

20510
72.30
248.61
69.57
23.47
19.99

Check No: 00020510 LAWRENCE BROS. 05/09/2018 441.94

20617

70.75
~~44.69~~
53.30
53.30

Check No: 00020617 LAWRENCE BROS.

06/06/2018

182.04

20055
45.41
34.43
45
2.99

Check No: 00020699 LAWRENCE BROS.

07/03/2018

82.83

20802

47.70
~~47.49~~
21.88

Check No: 00020802 LAWRENCE BROS.

08/07/2018

87.07

20905

21.90
40.00
28.00
55.02

Check No: 00020905 LAWRENCE BROS.

09/06/2018

144.92

21029

86.60

~~48~~6.60

Check No: 00021029 LAWRENCE BROS.

10/10/2018

173.20



Clint's Air Care, Inc.

Clint's Air Care, Inc
 120 N. Horton Pkwy
 Chapel Hill, TN 37034

Invoice

Date	Invoice #
1/23/2017	9954

Bill To
Horton Hwy Utility Dist 120 S Horton Pkwy Chapel Hill, TN 37034

P.O. No.	Terms	Project

Description	Qty	Rate	Amount
Installed 12 LED HiBay Light Fixtures in Warehouse		4,400.00	4,400.00

		Total	\$4,400.00
		Payments/Credits	\$0.00
		Balance Due	\$4,400.00

Past Due Invoices subject to 1.5% late charge.

Clint's Air Care, Inc.

120 North Horton Parkway
Chapel Hill, TN 37034

Clint Bowman

Licensed in Heating, Cooling, & Electric

Phone: 931-364-7765 or 931-580-6931

51

INVOICE

B
I
L
L
T
O

Horton Highway Utility

YOUR ORDER NO.

TERMS

*DUE UPON RECEIPT

DATE

126-17

ITEM	DESCRIPTION	AMOUNT	TOTAL
	Installed 8 LED Hi Bay Light Fixtures		2450.04

*Past Due Invoices will be subject to 1.5% late charge.
Now accepting Credit Cards.

REC'D BY _____

Tax

INVOICE
TOTAL

2450.04

Annual Statement of Utility District Commissioner Training

Horton Highway Utility District
20 18

This Annual Statement must be filed with your utility district by January 31 of each year to certify the training and continuing education courses you attended during the prior calendar year. The failure to file the annual statement will cause a commissioner to be ineligible to receive any legally authorized compensation and benefits until the annual written statement is filed. If no training or continuing education courses were attended the prior calendar year, an Annual Statement should be timely signed and filed stating that 0 hours were attended. T.C.A § 7-82-308(f)(4)

<i>Date Attended</i>	<i>Subject Matter</i>	<i>Location</i>	<i>Sponsor</i>	<i>Hours Attended</i>
10/15/18	Roles & Responsibilities	Cookeville, TN.	TAUD	3
10/15/18	Understanding your Audit	Cookeville, TN.	TAUD	3
10/16/18	Ethics for Board Members	Cookeville, TN.	TAUD	3
10/16/18	2018 Legislative Update	Cookeville, TN.	TAUD	3
<i>Total Hours Attended</i>				12

Please attach the certificate of attendance for each course listed.

Commissioner Signature: Terry Greene

Date signed: 10/17/18

Terry Green

*has attended and participated in the
Utility Commissioner and Municipal Official Training (Both Days)*

*An Approved Training Course Presented by the
Tennessee Association of Utility Districts*

Date: 10/15/2018

Location: Holiday Inn Express, 1228 Bunker Hill Rd, Cookeville

Credit: 12 hours for Commissioner

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



A handwritten signature in black ink, appearing to read "B. Freudenthal".

Bob Freudenthal, Executive Director

TG3639

BEFORE THE COUNTY MAYOR OF RUTHERFORD COUNTY, TENNESSEE

In RE:

Horton Highway Utility District of
RUTHERFORD County, Tennessee

Certification of Nominees for Appointment of Utility District Commissioner

The undersigned Commissioners of Horton Highway Utility District of RUTHERFORD County, Tennessee, do hereby certify that a vacancy exists on the District's Board of Commissioners due to term expiration/resignation/death of TERRY GREENE. Pursuant to T.C.A. § 7-82-307(a), the Board of Commissioners hereby certifies the nomination of the following qualified individuals for appointment to fill this vacancy with the nominees being listed in order of preference:

1. Terry Greene
2. Don Lamb
3. Will Holton

Wherefore, the District petitions the County Mayor to make an appointment from such nominees to fill the said vacancy within 21 days from and after the date of the filing of this certification with the County Mayor.

This 10th day of JANUARY, 2019.

John W. Santel
 Commissioner

Gary Lawrence
 Commissioner

Terry Greene
 Commissioner

BILL KETRON
COUNTY MAYOR



RUTHERFORD COUNTY
TENNESSEE

January 23, 2019

Horton Highway Utility District
102 South Horton Parkway
Chapel Hill, TN 37034

To Whom It May Concern:

I am pleased to appoint Terry Greene to the Horton Highway Utility District Board of Directors to fill the vacancy that exists.

If you have any questions, please give me a call at 615-898-7745.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Ketron".

Bill Ketron
County Mayor

BK:vt

HORTON HIGHWAY UTILITY DISTRICT

TERRY GREENE

Year of 2018		\$ 600.00
	TOTAL	\$ 600.00

Garry Lawrence

*has attended and participated in the
Utility Commissioner Training*

*An Approved Training Course Presented by the
Tennessee Association of Utility Districts*

Date: 10/9/2018

Location: Mars Hill Baptist Church fellowship hall, 630 Weakley Creek Rd, Lawrenceburg

Credit: 6 hours for Commissioner

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



A handwritten signature in black ink, appearing to read "B. Freudenthal".

Bob Freudenthal, Executive Director

GL6503

Garry Lawrence

*has attended and participated in the
Utility Commissioner and Municipal Official Training (One Day)*

*An Approved Training Course Presented by the
Tennessee Association of Utility Districts*

Date: 10/15/2018

Location: Holiday Inn Express, 1228 Bunker Hill Rd, Cookeville

Credit: 6 hours for Commissioner

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



Bob Freudenthal

Bob Freudenthal, Executive Director

GL6503

Annual Statement of Utility District Commissioner Training

HORTON HIGHWAY Utility District

2018

This Annual Statement must be filed with your utility district by January 31 of each year to certify the training and continuing education courses you attended during the prior calendar year. The failure to file the annual statement will cause a commissioner to be ineligible to receive any legally authorized compensation and benefits until the annual written statement is filed. If no training or continuing education courses were attended the prior calendar year, an Annual Statement should be timely signed and filed stating that 0 hours were attended. T.C.A § 7-82-308(f)(4)

Date Attended	Subject Matter	Location	Sponsor	Hours Attended
10/15/18	Utility Board Roles	Cookeville, TN	TAUD	2h
10/15/18	Understanding Your Audit	"	TAUD	2h
10/15/18	Top Ten Audit Finding	Cookeville	TAUD	2h
10/9/18	Utility Dist Premier	Lawrenceburg	TAUD	1hr
10/9/18	Commissioner Selection	"	TAUD	1hr
10/9/18	" Compensation	"	TAUD	1hr
10/9/18	Water Loss	"	TAUD	1hr
10/9/18	UMRB Review Board	"	TAUD	1hr
10/9/18	Policies & Procedures	"	TAUD	1hr
Total Hours Attended				

Please attach the certificate of attendance for each course listed.

Commissioner Signature: Gary Lawrence

Date signed: 10/17/2018

BEFORE THE COUNTY MAYOR OF Marshall COUNTY, TENNESSEE

In RE:

Horton Highway Utility District of Marshall, Rutherford &
Williamson County, Tennessee

Certification of Nominees for Appointment of Utility District Commissioner

The undersigned Commissioners of Horton Highway Utility District of Marshall County, Tennessee, do hereby certify that a vacancy exists on the District's Board of Commissioners due to term expiration/resignation/death of Garry Lawrence. Pursuant to T.C.A. § 7-82-307(a), the Board of Commissioners hereby certifies the nomination of the following qualified individuals for appointment to fill this vacancy with the nominees being listed in order of preference:

1. GARRY LAWRENCE
2. Donna Zimmerle
3. Danny Bingham

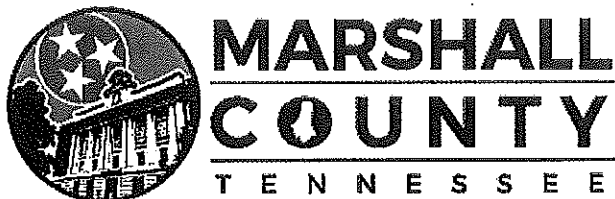
Wherefore, the District petitions the County Mayor to make an appointment from such nominees to fill the said vacancy within 21 days from and after the date of the filing of this certification with the County Mayor.

This 21 day of December, 2018.

John W. Sydad
Commissioner

Alamy Luvorn
Commissioner

Terry R. Heene
Commissioner



Mike Keny, County Mayor
1108 Courthouse Annex
Lewisburg, TN 37091
931-359-1279 fax: 931-359-0539
931-814-0031 cell phone
mkeny@marshallcountyttn.com

January 9, 2019

RE: Horton Highway Utility District of Marshall, Rutherford and Williamson County, Tennessee
Certification of Nominees for Appointment of Utility District Commissioner

Dear Sirs:

In response to your letter of December 21, 2018, and in accordance with Article II, Section 1, of the Bylaws of the Horton Utility District of Rutherford, Williamson and Marshall Counties, TN and, Pursuant to Tennessee Code Annotated 7-82-307(a). I would like to appoint Garry Lawrence to fill the Marshall County vacancy that exists on the District's Board of Commissioners.

Respectfully,

A handwritten signature in black ink, appearing to read "Mike Keny", written in a cursive style.

Mike Keny
Marshall County Mayor

HORTON HIGHWAY UTILITY DISTRICT

GARRY LAWRENCE

Year of 2017	\$ 2000.00
Year of 2018	\$ 2600.00
TOTAL	\$4,600.00

08/04/2017 415-52400-300
08/04/2017 415-52400-300
08/04/2017 415-52400-300

CHapel Hill, Tennessee
177181
2998
30027

19565
65
2621.92
28.07
48.70

Check No: 00019565 LAWRENCE BROS. 08/04/2017 2698.69

Handwritten notes:

TERMS _____ \$ _____
PLEASE DETACH AND RETURN WITH YOUR REMITTANCE

DATE	INVOICE NUMBER / DESCRIPTION	CHARGES	CREDITS	BALANCE
			BALANCE FORWARD ▶	278.00
7-10-17	Creb # 19462		221.43	5
7-10-17	Inv # 29996	28.07		28.07
7-18-17	Inv # 177181	2621.92		2649.99
7-25-17	" 30027	48.70	AUG 01	2698.69

3 MONTH ROUNDING
service charge of
.00 minimum with
not paid by

Thank You

↑
PAY LAST AMOUNT
IN THIS COLUMN

LAWRENCE BROS. PLUMBING, ELECTRIC & HVAC, INC 67
 201 South Horton Parkway
 P.O. Box 8
 CHAPEL HILL, TENNESSEE 37034
 (931) 364-2234 FAX (931) 364-2235

SOLD BY		DATE		
		7-10-17		
NAME HHUO				
ADDRESS		PHONE		
CITY				
<input type="checkbox"/> CASH	<input type="checkbox"/> CHARGE	<input type="checkbox"/> MERCHANDISE RETURNED		
<input type="checkbox"/> C.O.D.	<input type="checkbox"/> PAID OUT	<input type="checkbox"/> PAID ON ACCOUNT		
QTY.		DESCRIPTION	PRICE	AMOUNT
1	1	"AA" battery bulk pack	8.99	8.99
5	2	1" PVC Pipe	.48	2.40
1	3	1" PVC 45°	1.19	1.19
2	4	1" PVC Couplings	.79	1.58
1	5	1" PVC Dresser Comp	2.79	2.79
4	6	1/2 F Caps	1.29	7.16
4	7	3/8 F Caps	.99	3.96
				28.07
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
RECEIVED BY			TOTAL	

THANK YOU

C 29996

LAWRENCE BROS.
PLUMBING, ELECTRIC & HVAC, INC.

68

Appliances, Electrical
Air Conditioning & Plumbing



Contracting, Sales
Service & Installation

DATE 6-8/6-28/
7-18-17

P.O. Box 8 • 201 South Main
Chapel Hill, Tennessee 37034
Phone (931) 364-2234
Fax (931) 364-2235

Horton Highway Utility Dist.
Chapel Hill, TN

INV. NO. H 177181
Re: Lights

QUANTITY	SIZE	ITEM	EACH	TOTAL
6	50W	LED Wall packs	149.00	894.00
1	120v	photo cell		16.95
1	80W	LED wall pack		199.00
1		LED canopy light		179.00
60'	12-2	MC cable w/ground	.77	46.20
9	3/8	MC straps	.29	2.61
3		set screw MC connectors	1.05	3.15
5	3/8	MC quick connectors	1.29	6.45
1		8'-4 blub T-8 fixture		51.95
4		F32T8SP50 T-8 bulbs	2.99	11.96
2	4"	square junction boxes	2.49	4.98
1		industrial switch cover		1.99
32	10x1	screws	.05	1.60
5	76	wire nuts	.22	1.10
1		greenie wire nut		.44
3	74	wire nuts	.18	.54
		Total Material		1421.92
		Labor & Aerial lift to upgrade exterior lights to LED		1200.00
		TOTAL		\$2621.92

Randy
Jason

LAWRENCE BROS. PLUMBING, ELECTRIC & HVAC, INC. 69

201 South Horton Parkway
 P.O. Box 8
 CHAPEL HILL, TENNESSEE 37034
 (931) 364-2234 FAX (931) 364-2235

SOLD BY		DATE 7-25-17		
NAME HHUD				
ADDRESS		PHONE		
CITY				
<input type="checkbox"/> CASH		<input type="checkbox"/> CHARGE		
<input type="checkbox"/> C.O.D.		<input type="checkbox"/> PAID OUT		
		<input type="checkbox"/> MERCHANDISE RETURNED		
		<input type="checkbox"/> PAID ON ACCOUNT		
QTY.		DESCRIPTION	PRICE	AMOUNT
10'	1	6" sch 40 PVC	4.87	48.70
	2			
	3			
	4			
	5			
	6			
	7			
	8			
	9			
	10			
	11			
	12			
	13			
	14			
	15			
	16			
RECEIVED BY			TOTAL	

THANK YOU

C 30027

Lawrence Brothers Plumbing, Electric and HVAC
201 S. Horton Parkway
Chapel Hill, TN 37034
(931) 364-2234

February 1, 2019

Dear Valued Customers:

RE: *Closing of Lawrence Brothers Plumbing, Electric and HVAC*

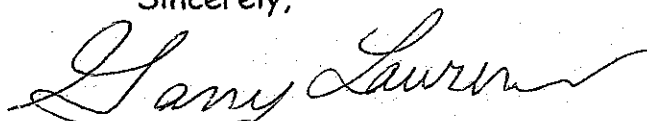
As you are aware, after 70+ years in business, we have made the difficult decision to close *Lawrence Brothers Plumbing, Electric and HVAC*. We want to thank all of our customers and say that we appreciate the years you allowed us to serve your plumbing, electric and HVAC needs. We would like to take this opportunity to introduce you to Morgan Brothers Electric, Inc. - a company that has also been in business for over 70 years.

Morgan Brothers Electric, Inc. is available to be your service provider for Plumbing, Electrical, and HVAC. They are the Carrier Dealer for Chapel Hill - which means your Carrier Warranty work will continue uninterrupted. They also perform warranty work on other HVAC brands, routine maintenance, and repairs on units no longer under warranty.


Please do not hesitate to contact Morgan Brothers Electric, Inc. for any of your plumbing, electric or HVAC needs. They will be keeping our phone number (931) 364-2234, allowing for a smooth transition, for you, our valued customers.

Again, thank you for supporting our business for over 70 years.

Sincerely,


Gary Lawrence

Sincerely,


Alan Faullkner, Owner
Morgan Brothers Electric, Inc.

John Sanford

*has attended and participated in the
Utility Commissioner and Municipal Official Training (One Day)*

*An Approved Training Course Presented by the
Tennessee Association of Utility Districts*

Date: 10/15/2018

Location: Holiday Inn Express, 1228 Bunker Hill Rd, Cookeville

Credit: 6 hours for Commissioner

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



Bob Freudenthal, Executive Director

JS0824

John Sanford

*has attended and participated in the
Utility Commissioner Training*

*An Approved Training Course Presented by the
Tennessee Association of Utility Districts*

Date: 10/9/2018

Location: Mars Hill Baptist Church fellowship hall, 630 Weakley Creek Rd, Lawrenceburg

Credit: 6 hours for Commissioner

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



A handwritten signature in blue ink, appearing to read "B. Freudenthal".

Bob Freudenthal, Executive Director

JS0824

TAUD UTILITY COMMISSIONER TRAINING

Northeast Lawrence Utility District

Mars Hill Baptist Church

630 Weakley Creek Road

Lawrenceburg, TN 38464

Tuesday, October 9, 2018- 8:00 AM – 2:30 PM	
8:00 – 8:50	A Utility District Primer <i>Don Scholes</i>
8:50 – 9:00	BREAK
9:00 – 9:50	Commissioner Selection <i>Don Scholes</i>
9:50 -10:00	BREAK
10:00 – 10:50	Commissioner Compensation <i>Don Scholes</i>
10:50 – 11:00	BREAK
11:00 – 11:50	The Cost of Water Loss and Infiltration & Inflow <i>Angela Jones (TDEC)</i>
11:50 – 12:30	LUNCH
12:30 – 1:20	Utility Management Review Board (UMRB) <i>John Hall & Don Scholes</i>
1:20 – 1:30	BREAK
1:30 – 2:20	Polices & Procedures <i>John Hall</i>
2:20 – 2:30	Questions

Tennessee Association
of Utility Districts

Vital for Tennessee's future



TAUD MUNICIPAL OFFICIAL & UTILITY DISTRICT

COMMISSIONER TRAINING

Cookeville – Holiday Inn Express - Agenda

1228 Bunker Hill Road, Cookeville, TN 38506

Monday, October 15, 2018 3:00 PM – 9:00 PM	
3:00 – 3:10	INTRODUCTION
3:10 – 4:00	Utility Board Roles & Responsibilities <i>Don Scholes</i>
4:00 – 4:10	BREAK
4:10 – 5:00	Utility Board Roles & Responsibilities Don Scholes
5:00 – 5:10	BREAK
5:10 – 6:00	Understanding the Your Audit <i>John Greer and John Hall</i>
6:00 – 6:10	WORKING DINNER
6:10 – 7:00	Understanding the Your Audit <i>John Greer and John Hall</i>
7:00 – 7:10	BREAK
7:10 – 8:00	Top Ten Audit Findings <i>John Greer and John Hall</i>
8:00 – 8:10	BREAK
8:10 – 9:00	Top Ten Audit Findings <i>John Greer and John Hall</i>

Tuesday, October 16, 2018 3:00 PM – 9:00 PM	
3:00 – 3:50	Ethics for Utility Board Members <i>Don Scholes</i>
3:50 – 4:00	BREAK
4:00 – 4:50	2018 Legislative Update <i>Don Scholes</i>
4:50 – 5:00	BREAK
5:00 – 5:50	Responding to Public Record Requests <i>Don Scholes</i>
5:50 – 6:00	WORKING DINNER
6:00 – 6:50	Utility's Response to Customer Filing Bankruptcy <i>Don Scholes</i>
6:50 - 7:00	BREAK
7:00 – 7:50	Certified Operators <i>Mike Keaton</i>
7:50 – 8:00	BREAK
8:00 – 8:50	Public Water System Compliance and Enforcement <i>Johnny Walker</i>
8:50 – 9:00	Questions

Annual Statement of Utility District Commissioner Training

HORTON HIGHWAY Utility District

20 10

This Annual Statement must be filed with your utility district by January 31 of each year to certify the training and continuing education courses you attended during the prior calendar year. The failure to file the annual statement will cause a commissioner to be ineligible to receive any legally authorized compensation and benefits until the annual written statement is filed. If no training or continuing education courses were attended the prior calendar year, an Annual Statement should be timely signed and filed stating that 0 hours were attended. T.C.A § 7-82-308(f)(4)

Date Attended	Subject Matter	Location	Sponsor	Hours Attended
	00/00			
10/9/08	TAAD Commissioner Training			
10/15/08	" "			
	see attached agendas and certificates of completion			
Total Hours Attended				

Please attach the certificate of attendance for each course listed.

Commissioner Signature: John W. Sanford

Date signed: 10/18/2018

Annual Statement of Utility District Commissioner Training
HORTON HIGHWAY Utility District

20 11

This Annual Statement must be filed with your utility district by January 31 of each year to certify the training and continuing education courses you attended during the prior calendar year. The failure to file the annual statement will cause a commissioner to be ineligible to receive any legally authorized compensation and benefits until the annual written statement is filed. If no training or continuing education courses were attended the prior calendar year, an Annual Statement should be timely signed and filed stating that 0 hours were attended. T.C.A § 7-82-308(f)(4)

Date Attended	Subject Matter	Location	Sponsor	Hours Attended
	<u>0</u>			
Total Hours Attended				

Please attach the certificate of attendance for each course listed.

Commissioner Signature: John W. Sanford

Date signed: 10/18/2018

Annual Statement of Utility District Commissioner Training

HORTON HIGHWAY Utility District

20 12

This Annual Statement must be filed with your utility district by January 31 of each year to certify the training and continuing education courses you attended during the prior calendar year. The failure to file the annual statement will cause a commissioner to be ineligible to receive any legally authorized compensation and benefits until the annual written statement is filed. If no training or continuing education courses were attended the prior calendar year, an Annual Statement should be timely signed and filed stating that 0 hours were attended. T.C.A § 7-82-308(f)(4)

Date Attended	Subject Matter	Location	Sponsor	Hours Attended
	-0-			
Total Hours Attended				

Please attach the certificate of attendance for each course listed.

Commissioner Signature: John W. Safad

Date signed: 10/18/2018

Annual Statement of Utility District Commissioner Training

HORTON HIGHWAY Utility District
20 13

This Annual Statement must be filed with your utility district by January 31 of each year to certify the training and continuing education courses you attended during the prior calendar year. The failure to file the annual statement will cause a commissioner to be ineligible to receive any legally authorized compensation and benefits until the annual written statement is filed. If no training or continuing education courses were attended the prior calendar year, an Annual Statement should be timely signed and filed stating that 0 hours were attended. T.C.A § 7-82-308(f)(4)

Date Attended	Subject Matter	Location	Sponsor	Hours Attended
	①			
Total Hours Attended				

Please attach the certificate of attendance for each course listed.

Commissioner Signature: John W. Sanford
 Date signed: 10/18/2018

Annual Statement of Utility District Commissioner Training

HORTON HIGHWAY Utility District

20 14

This Annual Statement must be filed with your utility district by January 31 of each year to certify the training and continuing education courses you attended during the prior calendar year. The failure to file the annual statement will cause a commissioner to be ineligible to receive any legally authorized compensation and benefits until the annual written statement is filed. If no training or continuing education courses were attended the prior calendar year, an Annual Statement should be timely signed and filed stating that 0 hours were attended. T.C.A § 7-82-308(f)(4)

Date Attended	Subject Matter	Location	Sponsor	Hours Attended
	0			
Total Hours Attended				

Please attach the certificate of attendance for each course listed.

Commissioner Signature: *[Handwritten Signature]*

Date signed: 10/18 2018

Annual Statement of Utility District Commissioner Training

HORTON HIGHWAY Utility District
20 15

This Annual Statement must be filed with your utility district by January 31 of each year to certify the training and continuing education courses you attended during the prior calendar year. The failure to file the annual statement will cause a commissioner to be ineligible to receive any legally authorized compensation and benefits until the annual written statement is filed. If no training or continuing education courses were attended the prior calendar year, an Annual Statement should be timely signed and filed stating that 0 hours were attended. T.C.A § 7-82-308(f)(4)

<i>Date Attended</i>	<i>Subject Matter</i>	<i>Location</i>	<i>Sponsor</i>	<i>Hours Attended</i>
	- 0 -			
<i>Total Hours Attended</i>				

Please attach the certificate of attendance for each course listed.

Commissioner Signature: *J.W. Siefert*
Date signed: 10/18/2018

Annual Statement of Utility District Commissioner Training

HORTON HIGHWAY Utility District

20 16

This Annual Statement must be filed with your utility district by January 31 of each year to certify the training and continuing education courses you attended during the prior calendar year. The failure to file the annual statement will cause a commissioner to be ineligible to receive any legally authorized compensation and benefits until the annual written statement is filed. If no training or continuing education courses were attended the prior calendar year, an Annual Statement should be timely signed and filed stating that 0 hours were attended. T.C.A § 7-82-308(f)(4)

<i>Date Attended</i>	<i>Subject Matter</i>	<i>Location</i>	<i>Sponsor</i>	<i>Hours Attended</i>
	<u>0</u>			
<i>Total Hours Attended</i>				

Please attach the certificate of attendance for each course listed.

Commissioner Signature: 

Date signed: 10/18/2018

Annual Statement of Utility District Commissioner Training

HORTON HIGHWAY Utility District

20 18

This Annual Statement must be filed with your utility district by January 31 of each year to certify the training and continuing education courses you attended during the prior calendar year. The failure to file the annual statement will cause a commissioner to be ineligible to receive any legally authorized compensation and benefits until the annual written statement is filed. If no training or continuing education courses were attended the prior calendar year, an Annual Statement should be timely signed and filed stating that 0 hours were attended. T.C.A § 7-82-308(f)(4)

<i>Date Attended</i>	<i>Subject Matter</i>	<i>Location</i>	<i>Sponsor</i>	<i>Hours Attended</i>
	— 0 —			
<i>Total Hours Attended</i>				

Please attach the certificate of attendance for each course listed.

Commissioner Signature: John W. Sayd

Date signed: 10/18/2018

HORTON HIGHWAY UTILITY DISTRICT

JOHN SANFORD

Year of 2010	\$ 2400.00
Year of 2011	\$ 2400.00
Year of 2012	\$ 2200.00
Year of 2013	\$ 2400.00
Year of 2014	\$ 2400.00
Year of 2015	\$ 2400.00
Year of 2016	\$ 2400.00
Year of 2017	\$ 2400.00
Year of 2018	\$ 2600.00
TOTAL	\$ 21,600.00

From: [Jamie](#)
To: [John Greer](#)
Subject: RE: Horton Highway Attendance History - TGA
Date: Thursday, October 25, 2018 10:22:20 AM

Sorry about that I was looking at the previous years only.

2018 D&O

Spence Walls
Brian Patterson
Mark Curtis
Tim Harber

2018 Annual Meeting

Tim Harber
Mark Curtis

From: John Greer <John.Greer@cot.tn.gov>
Sent: Wednesday, October 24, 2018 3:17 PM
To: Jamie <jwellman@tngas.org>
Subject: RE: Horton Highway Attendance History - TGA

Thank you, Jamie!

Am I correct that they have not attended any training in the current year?

John

John Greer
Tennessee Comptroller of the Treasury
Division of Administration
Fourth Floor Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243-3400
Phone: (615) 747-5260

From: Jamie <jwellman@tngas.org>
Sent: Tuesday, October 23, 2018 10:48 AM
To: John Greer <John.Greer@cot.tn.gov>
Cc: Lynette DiMeola <ldimeola@tngas.org>
Subject: Horton Highway Attendance History - TGA

2017 Safety Summit

Mark Curtis
Justin Russell

2017 D&O Conference

Tim Harber
Mark Curtis
Brian Patterson

2017 Annual Meeting

Tim Harber
Mark Curtis

2016 D&O Conference

Tim Harber
Mark Curtis
Brian Patterson

2014 D&O Conference

Tim Harber
Mark Curtis

Jamie Wellman, Director of Member Services
Tennessee Gas Association
615-872-2411
www.tngas.org

Gas Service Line Investigation

Name: Tim Harber

Address: 3761 Harber Road, Chapel Hill, Tn 37034

Customer Application – On File. Copy attached

Construction Work Order – N/A

Receipt for Customer Service Line – On File. Copy attached

Gas Line Locate: Located from meter to main at road with locator. Flagged and painted service line. Used tracer tape to locate customer owned service lines to shed and shop. Pictures attached.

Customer Owned Services: Yes, Gas lines going to shop and shed. Pictures attached.

Gas Appliances: House – Gas Furnace, Water Heater, Wall Heater, and Gas stub in living room. Shed – Piping for heater used in the past, not in use now. Shop – Wall Heater and Gas Furnace.

Code Violations:

1. House – Water Heater – **Code 408.4** – No Drip Leg (Sediment Trap)
2. House – Gas Furnace – **Code 408.4** – No Drip Leg (Sediment Trap)
3. Under House – **Code 404.6** – Underground penetrations prohibited
4. Under House – **Code 404.17.1** – Plastic Gas Pipe Above Ground
5. Under House – **Code 404.14** – Piping underground beneath buildings
6. Under House – **Code 403.10.4 (8)** – Steel Compression Coupling
6. Shop – Gas Furnace – **Code 408.4** – No Drip Leg (Sediment Trap)
7. Shop – Wall Heater – **Code 409.5** – No Shut Off Valve
8. Shop – **Code 404.6** – Underground penetrations prohibited
9. Water Shed – **Code 404.6** – Underground penetrations prohibited
10. Water Shed – **Code 404.17.1** Plastic Gas Pipe Above Ground
11. Water Shed – **Code 403.10.4 (8)** – Steel Compression Coupling

* **Customer will have 45 days to correct violations.**

Interior Gas Piping: Pictures attached

Gas Usage: Reading/Consumption Inquiry attached from 01/01/14

Other Actions/Remarks: Employees on site were Brian Patterson, Justin Russell, and Mark Curtis. Tim Harber was present to let us inside the home to inspect piping and appliances.

Mark Curtis
1/9/19

**HORTON HIGHWAY UTILITY DISTRICT
APPLICATION FOR GAS SERVICE**

The undersigned hereby make application to the Horton Highway Utility District of Rutherford, Williamson, and Marshall Counties Tennessee, for natural gas service and hereby certifies that he/she is the legal owner or leasee of the premises, located at 3761 Harbor Rd in Marshall, county Tennessee, and is empowered to make this application for gas service.

Applicant hereby requests the District for a gas connection between the gas system of the district and the property above described. Applicant agrees to avail himself/herself of the service of the gas system continuously from the time service is completed and to pay for the actual consumption if it be over 500 cubic feet per month or to pay the minimum charges, therefore and further agrees that he/she will observe and comply with all the regulations enacted by the District regulating the operation of the gas system, and that, he will pay promptly for services in accordance with the rates established as passed and published by the District.

It is understood that the minimum gas rate shall be \$15.50 a month. It is understood that the Connection fee \$100.00, which is non-refundable, and non-transferable. For the sum of a Connection fee plus \$2.00 per foot of 3/4" service line from gas main to meter set, or \$2.50 per foot for 2" service line, the District upon acceptance, agrees to make complete connection from the gas main to the applicant's meter set as determined by Horton Highway Utility District.

All applications which require the construction of a service line, must be returned with an easement filled out. Failure to do so will result in disapproval of application by Horton Highway Utility District.

APPLICANT INFORMATION

FULL NAME Tim Harber
 SERVICE ADDRESS 3761 Harbor Rd.
 MAILING ADDRESS P.O. Box 184 CITY Chapel Hill ZIP 37034
 SOCIAL SECURITY NO. _____ TELEPHONE NO. 364 7916
 PRESENT EMPLOYER Horton Highway Utility TELEPHONE NO. 364-2283
 HOW LONG EMPLOYED 10 years S. POSITION HELD Asst Manager
 SPOUSES' S NAME Vickie Harber
 SPOUSES' S EMPLOYER Cosmo/mb TELEPHONE 359-6253
 NAME OF NEAREST RELATIVE NOT LIVING WITH YOU Terica Harber
 RELATIONSHIP Father ADDRESS 1935 Canary Springs Rd
 TELEPHONE NO. 364-2206
 APPLICANT'S SIGNATURE Tim Harber DATE 8-25-97

DATE 8/25/97

RECEIPT 508517

RECEIVED FROM Tim Harkin

Address 3761 Harkin Rd

Five Hundred & 20/100 DOLLARS \$ 500.00

FOR Commitment Fee + Service Line

ACCOUNT		HOW PAID	
BEGINNING BALANCE		CASH	
AMOUNT PAID	<u>X</u>	CHECK	<u>500.00</u>
BALANCE DUE		MONEY ORDER	

BY Dorinda Zimmerman

DATE 8/25/97

RECEIPT 508518

Readings/Consumption Inquiry

0002-001181-01 HARBER, TIM

Date	Service	Time Entered	Current Reading	Consumption	Init
12/13/2018	0022 RES	20:23:00	3,209	194	DTL
11/14/2018	0022 RES	17:15:00	3,015	98	DTL
10/15/2018	0022 RES	20:44:00	2,917	17	DTL
09/14/2018	0022 RES	22:39:00	2,900	14	DTL
08/14/2018	0022 RES	20:24:00	2,886	13	DTL
07/16/2018	0022 RES	20:49:00	2,873	15	DTL
06/13/2018	0022 RES	23:23:00	2,858	14	DTL
05/14/2018	0022 RES	20:57:00	2,844	42	DTL
04/16/2018	0022 RES	20:13:00	2,802	117	DTL
03/14/2018	0022 RES	20:47:00	2,685	94	DTL
02/13/2018	0022 RES	20:20:00	2,591	217	DTL
01/11/2018	0022 RES	21:14:00	2,374	224	DTL
12/13/2017	0022 RES	21:19:00	2,150	155	DTL
11/15/2017	0022 RES	22:21:00	1,995	51	DTL
10/16/2017	0022 RES	20:30:00	1,944	0	DTL
09/14/2017	0022 RES	20:27:00	1,944	1	DTL
08/14/2017	0022 RES	20:06:00	1,943	0	DTL
07/13/2017	0022 RES	20:06:00	1,943	0	DTL
06/14/2017	0022 RES	20:20:00	1,943	0	DTL
05/15/2017	0022 RES	20:32:00	1,943	10	DTL
04/12/2017	0022 RES	21:24:00	1,933	44	DTL
03/15/2017	0022 RES	20:20:00	1,889	101	DTL
02/15/2017	0022 RES	21:48:00	1,788	124	DTL
01/12/2017	0022 RES	02:40:00	1,664	139	DTL
12/15/2016	0022 RES	20:35:00	1,525	140	DTL
11/14/2016	0022 RES	21:43:00	1,385	8	DTL
10/14/2016	0022 RES	21:29:00	1,377	1	DTL
09/14/2016	0022 RES	20:18:00	1,376	0	DTL
08/15/2016	0022 RES	20:42:00	1,376	0	DTL
07/14/2016	0022 RES	10:52:00	1,376	0	DTL
06/15/2016	0022 RES	09:29:00	1,376	1	DTL
05/16/2016	0022 RES	11:55:00	1,375	2	DTL
04/14/2016	0022 RES	08:36:00	1,373	34	DTL
03/14/2016	0022 RES	09:07:00	1,339	78	DTL
02/11/2016	0022 RES	12:48:00	1,261	146	DTL
01/14/2016	0022 RES	08:17:00	1,115	94	DTL
12/15/2015	0022 RES	08:07:00	1,021	69	DTL
11/16/2015	0022 RES	08:39:00	952	16	DTL
10/14/2015	0022 RES	15:15:00	936	3	DTL
09/15/2015	0022 RES	09:28:00	933	0	DTL
08/17/2015	0022 RES	08:54:00	933	0	DTL
07/15/2015	0022 RES	08:18:00	933	0	DTL
06/15/2015	0022 RES	07:59:00	933	0	DTL
05/15/2015	0022 RES	15:16:00	933	2	DTL
04/14/2015	0022 RES	10:54:00	931	22	DTL
03/12/2015	0022 RES	14:56:00	909	112	DTL
02/11/2015	0022 RES	13:25:00	797	91	DTL
01/13/2015	0022 RES	14:33:00	706	109	DTL
12/16/2014	0022 RES	20:44:00	597	87	DTL
11/14/2014	0022 RES	19:03:00	510	33	DTL
10/20/2014	0022 RES	20:28:00	477	4	DTL

Readings/Consumption Inquiry

0002-001181-01 HARBER, TIM

Date	Service	Time Entered	Current Reading	Consumption	Init
09/17/2014	0022	RES 02:45:00	473	0	DTL
08/15/2014	0022	RES 20:10:00	473	0	DTL
07/16/2014	0022	RES 07:31:00	473	0	DTL
06/12/2014	0022	RES 15:00:43	473	1	DTL
05/14/2014	0022	RES 21:56:00	472	7	DTL
04/15/2014	0022	RES 08:30:12	465	43	DHZ
03/13/2014	0022	RES 09:25:06	422	74	DHZ
02/12/2014	0022	RES 15:32:32	348	125	SH
01/15/2014	0022	RES 13:27:39	223	103	SH
12/16/2013	0022	RES 14:36:20	120	88	SH
11/14/2013	0022	RES 08:41:41	32	32	DHZ
10/14/2013	0022	RES 15:09:56		0	DHZ
08/15/2013	0022	RES 10:46:14	7,767	0	DHZ
08/08/2013	0022	RES 14:48:46		0	DHZ
08/08/2013	0022	RES 13:55:49	7,767	0	SH
07/17/2013	0022	RES 11:29:17	7,767	0	DHZ
06/12/2013	0022	RES 14:30:07	7,767	0	DHZ
05/15/2013	0022	RES 08:01:54	7,767	10	DHZ
04/15/2013	0022	RES 07:20:43	7,757	77	DHZ
03/13/2013	0022	RES 08:43:04	7,680	80	DHZ
02/15/2013	0022	RES 05:57:13	7,600	82	DHZ
01/15/2013	0022	RES 11:01:24	7,518	101	SH
12/12/2012	0022	RES 11:41:33	7,417	46	DHZ
11/15/2012	0022	RES 08:57:11	7,371	27	DHZ
10/15/2012	0022	RES 09:30:53	7,344	2	DHZ
09/13/2012	0022	RES 13:34:39	7,342	0	DHZ
08/15/2012	0022	RES 07:42:31	7,342	0	DHZ
07/17/2012	0022	RES 13:29:59	7,342	0	DHZ
06/14/2012	0022	RES 14:26:13	7,342	0	DHZ
05/15/2012	0022	RES 13:54:03	7,342	3	DHZ
04/15/2012	0022	RES 15:02:28	7,339	5	DHZ
03/15/2012	0022	RES 09:01:23	7,334	39	DHZ
02/15/2012	0022	RES 10:54:37	7,295	81	DHZ
01/13/2012	0022	RES 08:39:20	7,214	79	DHZ

* End of Report: HORTON HIGHWAY UTILITY DIST. *

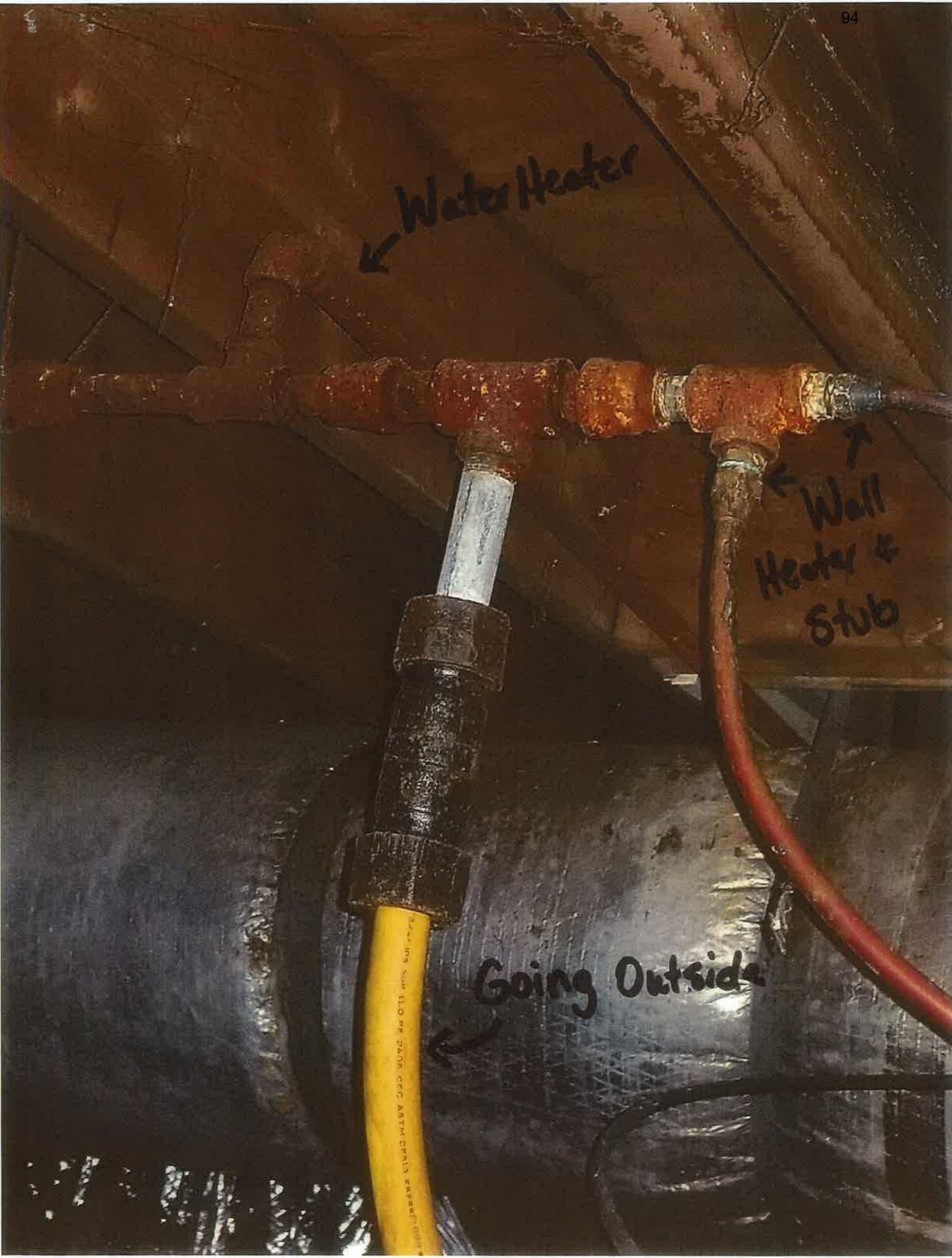
Piping
From Meter



← Water Heater

↑
← Wall Heater & Stub

← Going Outside

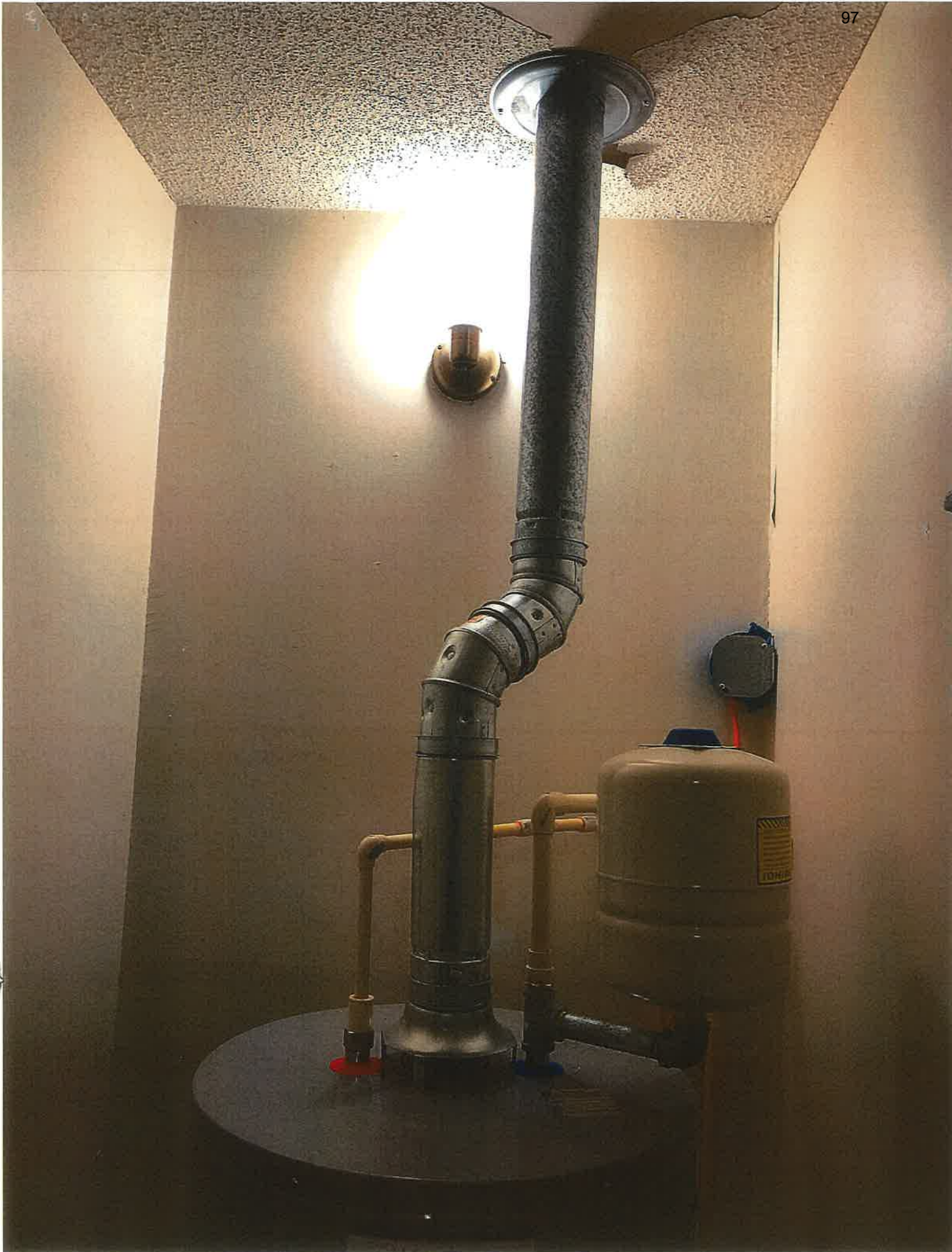






No Drip Leg

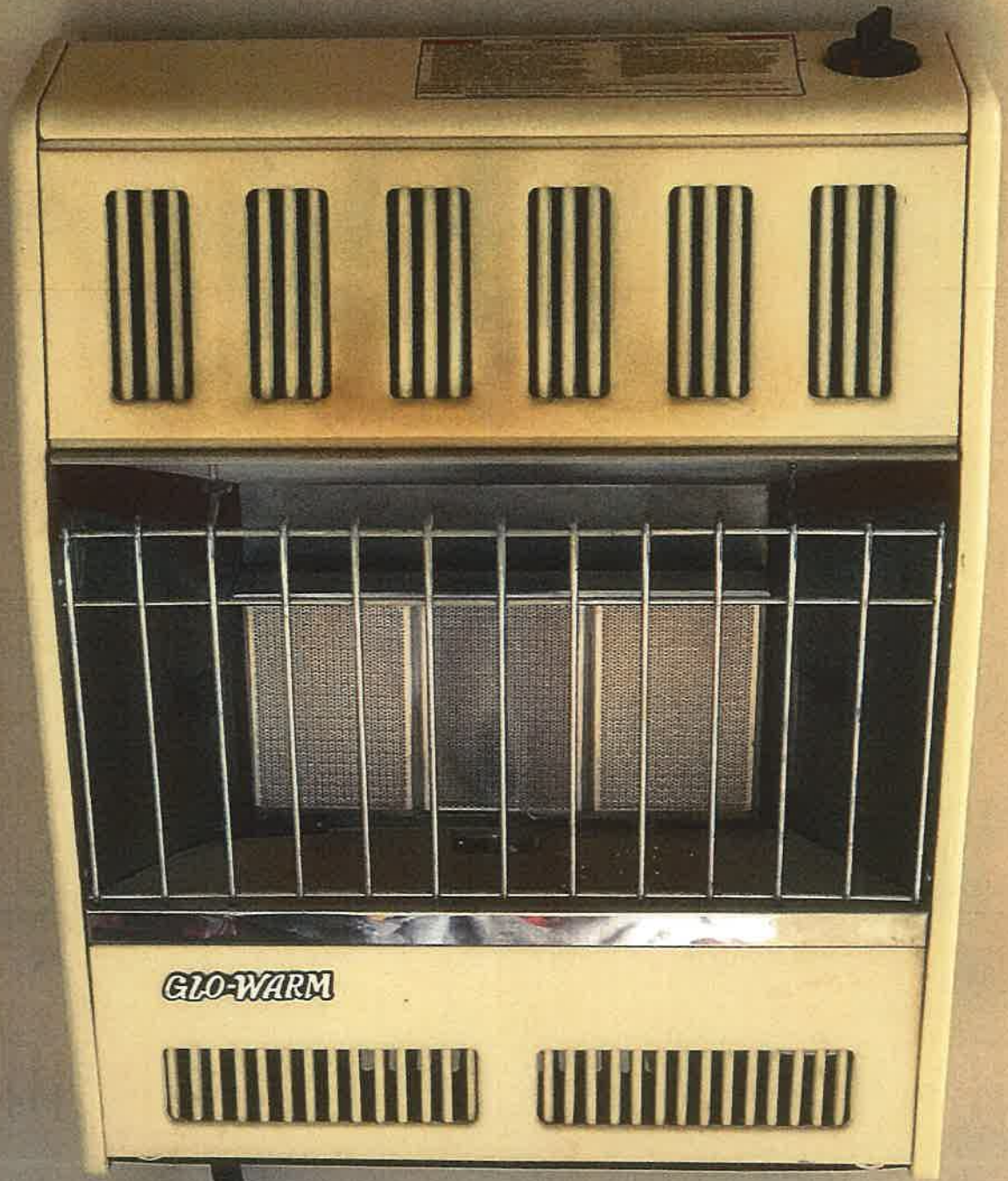






Living Room
Stab





GLO-WARM





DO NOT USE IF THE...
...BE...
...
...

4199976 SERIAL NUMBER

Shop
No Valve







54
07



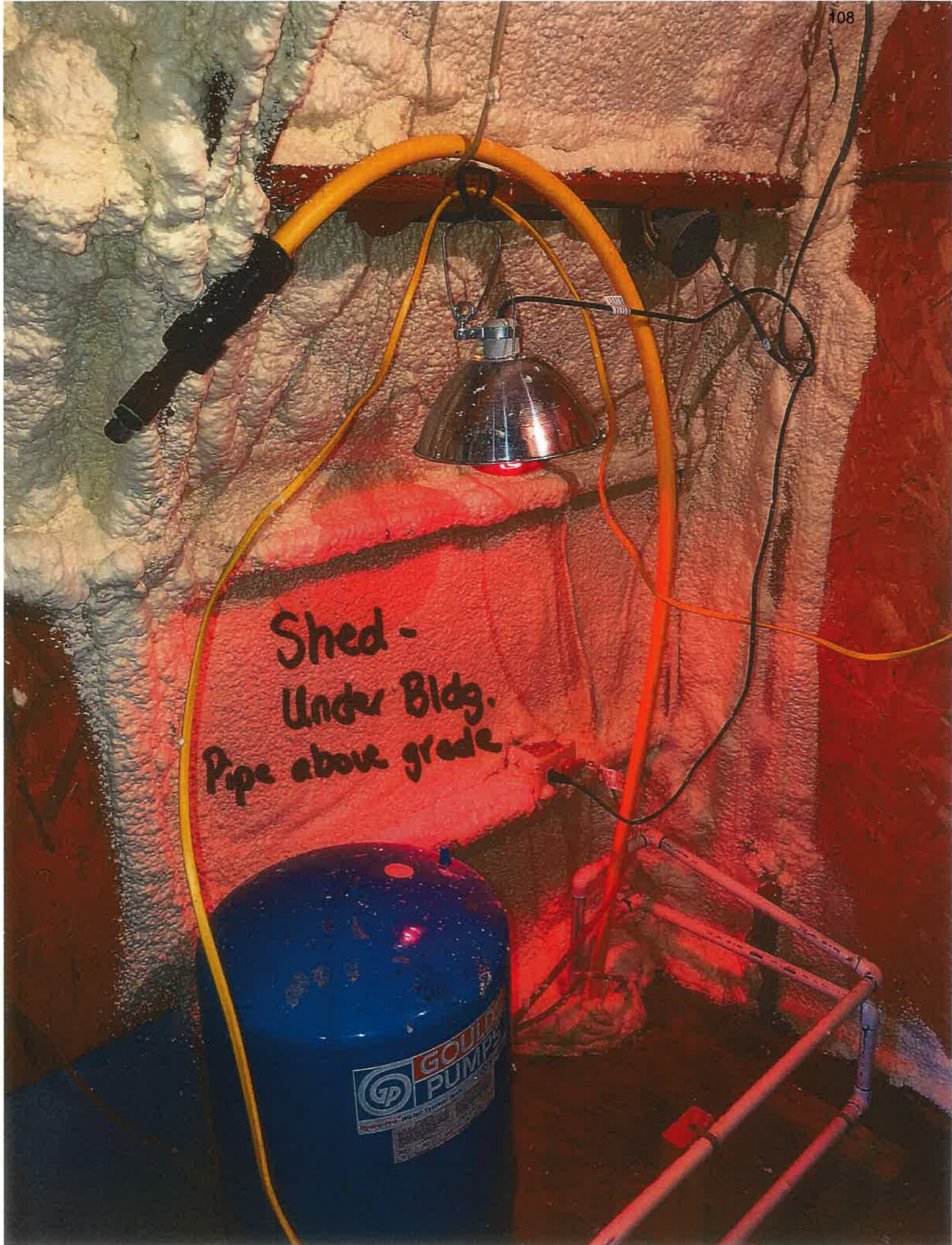
Shop -
No Drip Leg

House
No Drip Leg





Shed -
Under Bldg.
Pipe above grade.













Line under shed



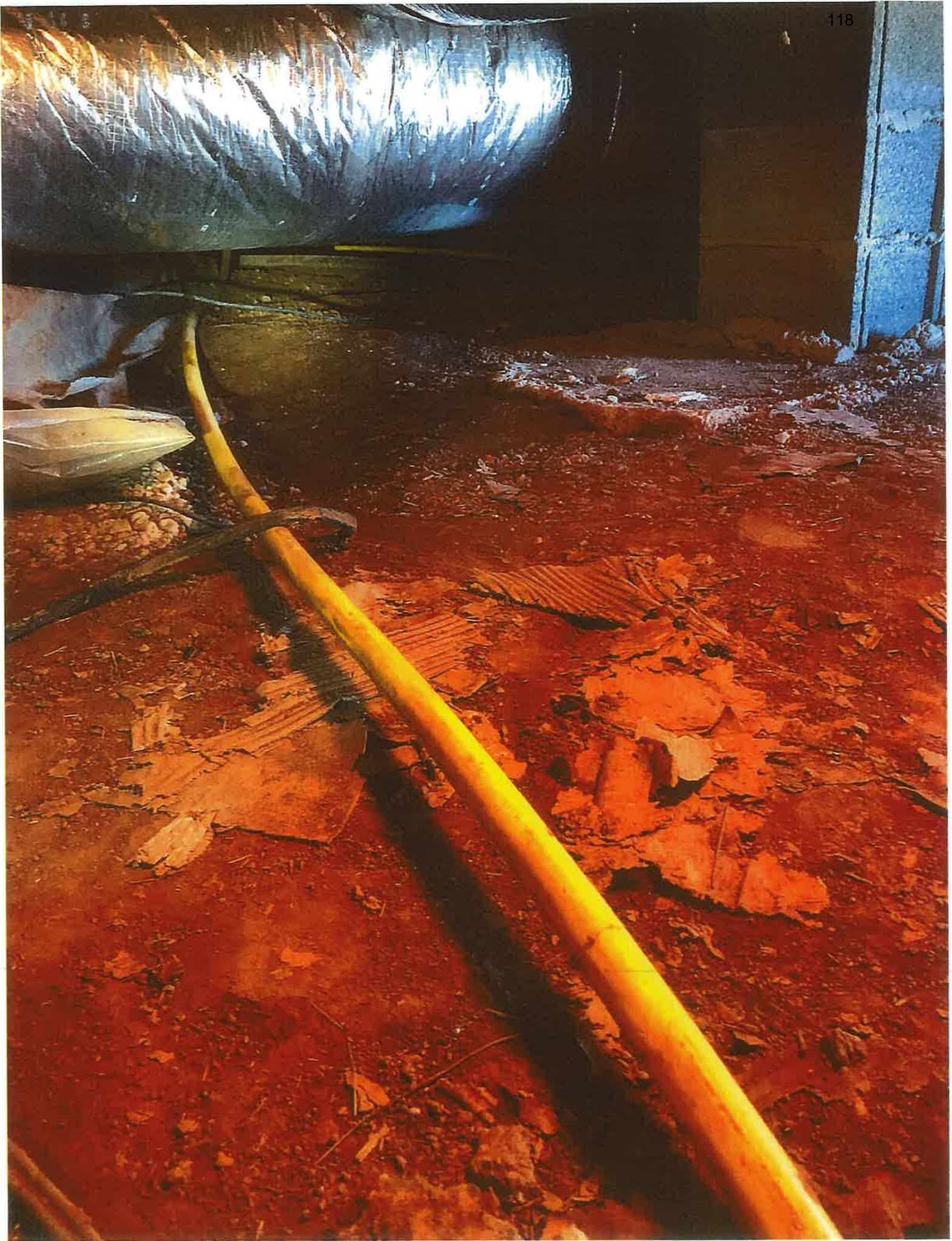


Line under house

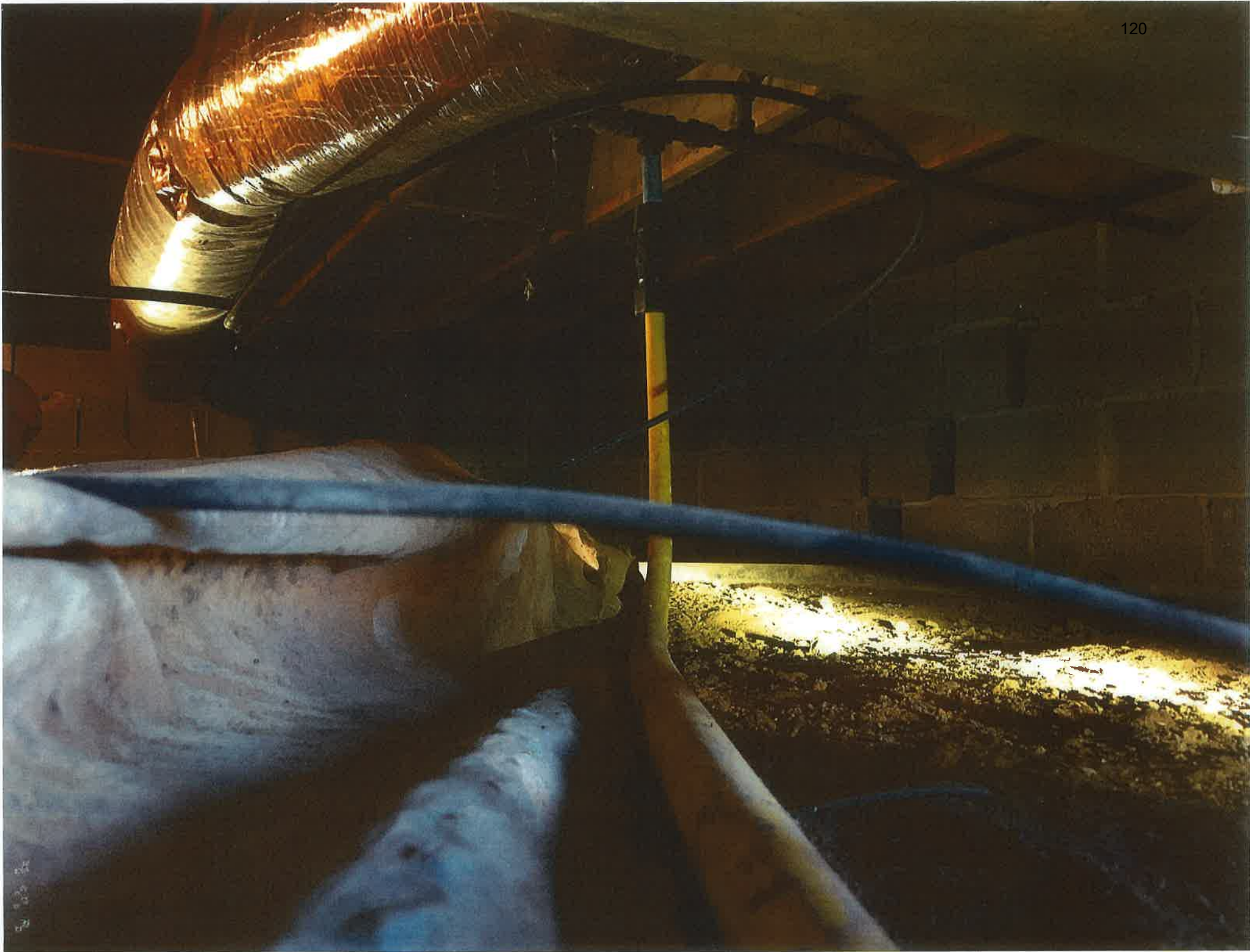
Plastic Pipe Above Grade







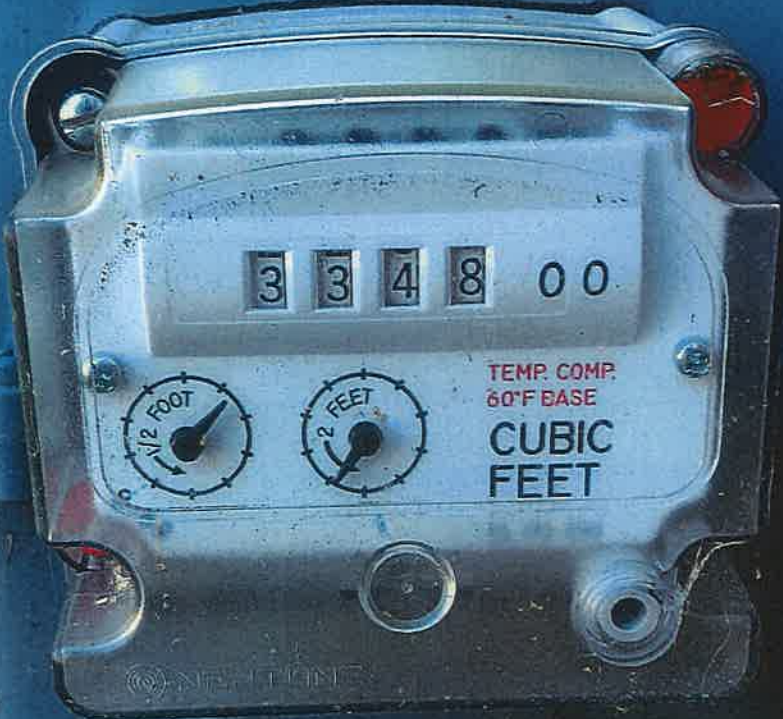




Steel Comp.
Coupling







R-275
250
215
13-W
18137022

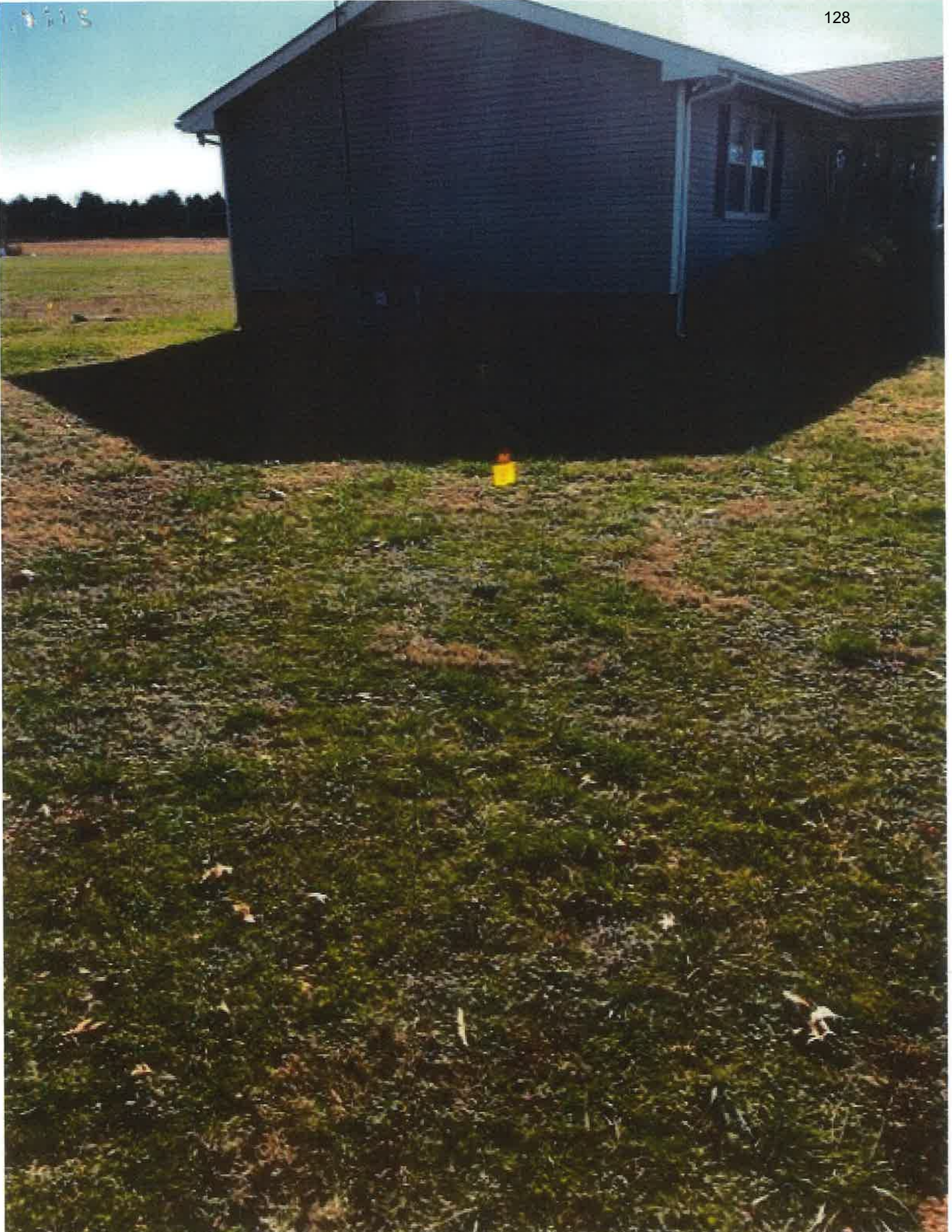






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**HORTON HIGHWAY UTILITY DISTRICT
ETHICS POLICY**

Each employee shall avoid any action which may result in or create the appearance of:

1. Using at any time the facilities, equipment, personnel or supplies of Horton Highway Utility District outside the realm of official utility district business or for private use or gain.
2. Giving preferential treatment to any person.
3. Impeding utility district efficiency or economy.
4. Making utility district decisions outside of proper channels.
5. Affecting adversely the public's confidence in the integrity of the utility district.

I have read and understand the policy above and acknowledge and am fully aware that violation of any portion of said policy may result in dismissal from employment from Horton Highway Utility District.

Date 8-27-03

Signature Jim Harber

Horton Highway Utility District

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COMMISSIONERS
Garry Lawrence (931) 364-7564
Don Wilson (615) 274-6816
John Sanford (615) 368-7320

P. O. Box 85
Chapel Hill, Tennessee 37034
www.hhud.net

MANAGER
Tim Harber
Bus: (931) 364-2283
Cell Phone: (931) 703-0228
Fax: (931) 364-2575

Effective October 9, 2017, Horton Highway Utility District will no longer be able to offer help of any kind on natural gas information, parts, or service of any kind, past our meter set, due to liability issues.

Horton Highway Utility District has prepared a list of vendors that are in the business of assisting you in technical questions, parts, and service.

Gas leaks that are in need of repair, service work of any kind, and parts of any kind, will have to be made by the customer or contractor hired by the customer.

We at Horton Highway Utility District apologize for the inconvenience and thank you for your business.

Sincerely,



Tim Harber
General Manager

TH/ss

Cc:

1. Tri-State Meter and Regulator
800-365-1987
2. Consolidated Pipe and Supply Co.
615-242-4280
3. Triton Construction
615-274-6701
4. Bush Construction
931-526-3223



Financial



Staff Recommended Action



North Stewart Utility District

North Stewart Utility District

	2016	2017	2018
Utility Revenue	\$1,032,243.00	\$1,018,342.00	\$1,037,589.00
Other Revenue	\$29,545.00	\$24,085.00	\$39,867.00
Operating Revenue	\$1,061,788.00	\$1,042,427.00	\$1,077,456.00
Operating Expenses	\$858,641.00	\$899,580.00	\$975,712.00
Operating Income	\$203,147.00	\$142,847.00	\$101,744.00
Non-Operating Revenues (Expenses)	(\$150,700.00)	(\$146,802.00)	(\$127,339.00)
Change In Net Position	\$52,447.00	(\$3,955.00)	(\$25,595.00)
Grant/Capital Contribution	\$5,291.00	\$78,439.00	\$0.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: North Stewart Utility District

Staff Summary:

The North Stewart Utility District has been referred for financial distress. The District raised all rates by \$0.25 and lowered the free gallons included in the minimum bill from 1,500 to 1,000. The rate increase does not appear to be based on a rate study.

Staff Recommendation:

Order the following:

1. **By May 31, 2019, the District shall contract with the Tennessee Association of Utility Districts or another qualified expert as approved by Board staff to complete the following:**
 - a. a rate analysis including recommendations for remedying the financially distressed position of the District, and
 - b. a review of the payment policy to ensure it complies with Tenn. Code Ann. § 9-1-108(c)(3).
2. **The District shall send the completed rate analysis with recommendations and all supporting documentation to Board Staff by August 30, 2019.**
3. **Board staff is given the authority to grant one extension of no more than six months upon a showing of good cause by the District.**



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

September 13, 2018

Ms. Jenny Hyde
North Stewart Utility District
2361 Hwy. 79
Dover, TN 37058

Dear Ms. Hyde,

North Stewart Utility District (hereinafter "District") has been referred to the Utility Management Review Board (hereinafter "Board") as financially distressed. Pursuant to Tennessee Code Annotated § 7-82-401(g)(3) a utility district is financially distressed when it, its system or systems, is shown by the audited annual financial reports, as having either a deficit total net position, is in default on an indebtedness, or has a negative change in net position for two (2) consecutive years.

Please fill out the enclosed questionnaire and return it and all supporting documentation to our office no later than December 14, 2018. Please submit this to either utilities@cot.tn.gov, and/or the following mailing address:

Utility Management Review Board
ATTN: John Greer
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243

While we recognize that this questionnaire may be arduous to fill out, it is necessary to determine how we can help you achieve long-term financial success. After we receive your information, we will decide whether it is necessary for the District to (1) meet with our staff or (2) go directly before the Board.

If you need further assistance or have any questions, please feel free to contact me at (615) 747-5260 or utilities@cot.tn.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Greer", is written over a light blue horizontal line.

John Greer
Technical Secretary

JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

MEMORANDUM

TO: Utility Management Review Board
FROM: Division of Local Government Audit - Municipalities and Utility Districts
SUBJECT: Division of Local Government Audit Referral Pursuant to TCA 7-82-703(a)

In accordance with the requirements of Tennessee Code Annotated, we are hereby filing the following vendor with the board(s) noted above.

Record Number: Vendor Name: Component Unit

Report Year	Utility Type	Date Received	Date Referred	Reviewer	Report Status
<input type="text" value="5/31/2018"/>	<input type="text" value="Water"/>	<input type="text" value="8/5/2018"/>	<input type="text" value="8/8/2018"/>	<input type="text" value="SRW"/>	<input type="text" value="Not Yet Reviewed"/>

FINANCIAL DISTRESS

A Has deficit net position for the fiscal year ended.

B Statutory Decrease in net position for two consecutive years.

Fiscal Year End	Statutory Decrease in NP
<input type="text" value="5/31/2018"/>	<input type="text" value="(\$25,595.00)"/>
<input type="text" value="5/31/2017"/>	<input type="text" value="(\$3,955.00)"/>

C Is in default on certain outstanding debt.

Holder of the Bonds, etc.	Principal	Interest
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

WATER LOSS

D Water Loss Referral

AWWA water audit info

Water Loss Schedule - Status: AWWA Excel File:

Validity score below the amount established by the board Validity Score:

Excessive non-revenue water % as established by the board Non-Rev Water %:
(Non-Revenue Water as Percent by Cost of Operating System)

Comments:



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

UMRB Financial Questionnaire

Utility: _____

Instructions: Please submit the following information

1. Five year history of your rates (all rate classes and types)
2. Five year history of all utility fees (include records of how the District rationalized charges for: tap fees, reconnection fees, etc.)
3. The current customer contract used for new service accounts
4. Three year history of commissioner appointments (include orders from the appropriate appointing agency)
5. Three year history of commissioner training (include certificates of attendance)
6. Three year history of commissioner payments (including all travel expenses)
7. Most current balance sheet and income statement (accounts must be broken out by water and sewer **if applicable**; you may need to estimate or use a percentage for each)
8. A copy of your debt management policy
9. A copy of your capitalization policy (by which you decide whether you capitalize versus expense items)

Instructions: Please respond to each question below with detailed answers

1. **Do you have a plan to remedy your financially distressed position?**
 - a. **If so, please provide a detailed copy.**
2. How many customers do you have currently? Please break out by metered, non-metered, billed and un-billed, and class (residential, commercial, etc.).
3. What percentage of your sales do the largest ten (10) customers (by volume and by revenue) represent on a yearly basis?
4. Do you have plans for a rate increase or decrease?
 - a. If yes, has your Board voted on it?
 - i. Please attach the relevant minutes that show all discussion and votes.
 - b. If no, please attach the minutes where the relevant discussion and vote took place to not change the current rate structure.
5. What were the reasons for the current structure of your rates?
6. Do you have written policies for rates and fees (how they are implemented and billed, including adjustments)?
 - a. If so, please attach copies of the relevant policies.
7. How do you make customers aware of the rates and fees you have in place?
 - a. Is this done at least annually? If not, please explain.
8. Do you have a capital asset plan?
 - a. If so, how long does it forecast (5 year, 10 year, etc.)?

- b. Please attach a copy.
 - c. If you do not have a capital asset plan, please justify why you do not.
9. Do you review your capital asset list?
 - a. If so, please indicate the frequency it is reviewed (annually, semi-annually, etc.) and who reviews this list.
 - b. If you do not review your capital asset list, please justify why you do not.
 10. Do you have any environmental issues currently or forthcoming that will put a financial burden on the District?
 11. Do you have a leak adjustment policy?
 - a. If so, what is the average yearly amount adjusted in gallons, cost to produce (or purchase), and lost revenue?
 - b. Please attach a copy of the policy.
 12. Have you, or do you plan to incur any new debt during the current fiscal year?
 - a. If so, please provide a detailed explanation.
 13. Have you, or do you plan to receive any grants or capital contributions during the current fiscal year?
 - a. If so, please provide a detailed explanation.
 14. Have you applied for grants that will be received over the next two years?
 - a. If so, please provide a detailed explanation.
 15. Do you produce or purchase your water supply?
 - a. If you produce your own water,
 - i. What is the cost per thousand to produce?
 - ii. Do you have any wholesale customers?
 - 1. Do you have written contracts with those customers?
 - b. If you buy your water,
 - i. What is the cost per thousand?
 - ii. Do you have a long term contract in place?
 16. What is your current non-revenue water percentage?
 - a. Do you have any plans for improving your non-revenue water percentage?
 - b. If so, please provide a detailed explanation.
 17. With respect to your board of commissioners, how frequently do you meet and what is your practice of providing notice of your meetings?

For your information: Pursuant to Tenn. Code Ann. § 10-7-503(g), beginning July 1, 2017 every governmental entity must establish and adopt a written public records policy. For more information visit: <http://www.comptroller.tn.gov/openrecords/>

I hereby certify that the information provided is true and correct to the best of my knowledge.

Signature: _____ Title: _____ Date: _____

Please mail, e-mail, or fax copies of any documentation to:

**Utility Management Review Board
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243
Phone: (615) 747-5260
Fax: (615) 741-1551
utilities@cot.tn.gov**

**North Stewart Utility District
2361 Highway 79
Dover, TN 37058
931-232-5525
931-232-7757(Fax)**

1. Five year History of Rates (all rate classes and types)

"This institution is an equal opportunity provider, and employer. To file a complaint of discrimination, write: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D. C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD)."

**North Stewart Utility District
2361 Highway 79
Dover, TN 37058
931-232-5525
931-232-7757(Fax)**

1. The board changed the structure of the Rate schedule effective October 1, 2018

The old rate schedule was	0-1500 gallons	26.25
	all over 1501	10.25 per thousand
New Schedule	0-1000 gallons	26.25
	all over 1001	10.25 per thousand

Attached you will find a rate analysis which will show an example of rates at the old schedule and new schedule for 2017-2018 year. The revenue for 2017-2018 year would increase by \$82,804.70.

“This institution is an equal opportunity provider, and employer. To file a complaint of discrimination, write: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D. C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).”

North Stewart Utility District Rate Analysis

Billing Cycle All Cycles
Service Type WA Water
Old Rate Code 01 Rate 1
New Rate Code 03 Rate 3
Date Range 06/01/2017 To 05/31/2018
Use Reading Factor Yes

WA Water 01 Rate 1

Usage Table - Usage By Rate Increment

	Level	Bills	First 1,500	Over 1,500	Total Usage
	1,500	6,030	4,326,969		4,326,969
Over	1,500	14,900	22,350,000	45,068,785	67,418,785
Total		20,930	26,676,969	45,068,785	71,745,754

WA Water 01 Rate 1

Revenue Table - Revenue By Rate Increment

	Level	Bills	Total Usage	Rate / 1000	Revenue
	1,500	20,930	26,676,969	\$26.25 Minimum	\$549,412.50
Over	1,500		45,068,785	10.25	\$461,955.05
Total Revenue					\$1,011,367.55

WA Water 03 Rate 3

Usage Table - Usage By Rate Increment

	Level	Bills	First 1,000	Over 1,000	Total Usage
	1,000	3,958	1,626,461		1,626,461
Over	1,000	16,972	16,972,000	53,147,293	70,119,293
Total		20,930	18,598,461	53,147,293	71,745,754

WA Water 03 Rate 3

Revenue Table - Revenue By Rate Increment

	Level	Bills	Total Usage	Rate / 1000	Revenue
	1,000	20,930	18,598,461	\$26.25 Minimum	\$549,412.50
Over	1,000		53,147,293	10.25	\$544,759.75
Total Revenue					\$1,094,172.25

Revenue Difference \$82,804.70

NORTH STEWART UTILITY DISTRICT

Schedule of Utility Information

May 31, 2018

Rates:

First 1,500 gallons - minimum	\$ 26.25
All over 1,501 gallons- per thousand gallons	\$ 10.25

There were approximately 1,810 metered water customers at May 31, 2018.

NORTH STEWART UTILITY DISTRICT**Schedule of Utility Information**

May 31, 2017

Rates:

First 1,500 gallons - minimum	\$ 26.00
All over 1,501 gallons- per thousand gallons	\$ 10.00

There were approximately 1,800 metered water customers at May 31, 2017.

Schedule of Utility Information

May 31, 2016

Rates:

First 1,500 gallons - minimum	\$ 26.00
All over 1,501 gallons- per thousand gallons	\$ 10.00

There were approximately 1,800 metered water customers at May 31, 2016.

Schedule of Utility Information

May 31, 2015

Rates:

First 1,500 gallons - minimum	\$ 26.00
All over 1,501 gallons- per thousand gallons	\$ 10.00

There were approximately 1,800 metered water customers at May 31, 2015.

NORTH STEWART UTILITY DISTRICT
SUPPLEMENTAL INFORMATION (UNAUDITED)
FOR THE YEAR ENDED MAY 31, 2014

1. RATE STRUCTURE AND NUMBER OF CUSTOMERS

<u>Rate Structure</u>	<u>Rate</u>
Minimum – First 1,800 Gallons	\$ 23 Minimum Bill
Over 1,800 Gallons	\$ 8 per thousand gallons

Number of Customers

The number of metered customers as of May 31, 2014, was 1,799.

2. COMPARISON OF ACTUAL AND BUDGETED OPERATIONS

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Operating Income	\$ 851,400	\$ 898,519	\$ 47,119
Operating Expense	<u>709,936</u>	<u>873,035</u>	<u>(163,099)</u>
Net Operating Income	141,464	25,484	(115,980)
Non-Operating Income (Expense)	13,072	(137,037)	(150,109)
Capital Contributions	-	496,926	496,926
Extraordinary Item-Impairment Loss	<u>-</u>	<u>(758,156)</u>	<u>(758,156)</u>
Net Income	<u>\$ 154,536</u>	<u>\$ (372,783)</u>	<u>\$ (527,319)</u>

SEE AUDITOR'S REPORT

The North Stewart Utility District held their regular monthly meeting September 21, 2015 at 5:00 P.M. at District office.

Present: Eric Watkins, President
 Billy Austin
 Charles Gant
 Steve Atkins
 Jenny Hyde

1. The Meeting was called to order by Eric Watkins, President.
2. Proof of quorum with all commissioners present.
3. Minutes were read and approved by secretary.
4. Jenny stated that she had spoken with Vance Hamilton, Rural Development and the TDOT overage, loan/Grant will not be available until the State budget is approved. It could be October or later.
5. The life insurance for \$ 94.00 per month has to be \$25,000 for both employees and commissioners.
6. There was a motion and second to revise employees retirement plan. Employees can now contribute up to \$5,000 a year.
7. There was a motion and second to raise the convenience fee for debit/ credit card transactions to \$3.00 effective OCTOBER 1.
8. Steve discussed the Big A Tank needing the aerator he stated he thought the painting could hold off for a few years.
9. Mr. Gant stated the Fire department will send Jenny usage at the schools each month and Jenny will deduct from the schools bills. The Board stated not to charge the Fire Department for the usage deduct the gallons from water loss report.
10. Steve ask the board to add Auto Flushers to the end of the line to the Current Line Extension Policy. The was a motion and second.
11. Meeting adjourned until October 19, 2015.



William Austin, Secretary

**North Stewart Utility District
2361 Highway 79
Dover, TN 37058
931-232-5525
931-232-7757(Fax)**

7. Most current balance sheet and income statement (accounts must be broken out by water and sewer IF APPLICABLE; you may need to estimate or use a percentage for each)

“This institution is an equal opportunity provider, and employer. To file a complaint of discrimination, write: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D. C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).”

NORTH STEWART UTILITY DISTRICT

Statement of Net Position

August 31, 2018

Assets

Current Assets:

Cash and cash equivalents	\$561,213
Customer accounts receivable, net of allowance of \$12,569	102,974
Inventory	25,994
Total Current Assets	<u>690,181</u>

Capital Assets:

Utility plant in service	11,713,193
Less accumulated depreciation	<u>(2,499,257)</u>
Total Capital Assets, Net	<u>9,213,936</u>

Total Assets	<u>\$9,904,117</u>
--------------	--------------------

Liabilities

Current Liabilities:

Accounts payable	\$25,687
Accrued expenses	12,618
Current maturities - long-term debt	125,982
Total Current Liabilities	<u>164,287</u>

Other Liabilities:

Customer deposits	52,550
Total Other Liabilities	<u>52,550</u>

Long-Term Debt	<u>4,505,049</u>
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Total Liabilities	<u>4,721,886</u>
-------------------	------------------

Net Position:

Net investment in capital assets	4,582,905
Restricted - debt service	385,809
Unrestricted	213,517
Total Net Position	<u>\$5,182,231</u>

The notes accompanying the financial statements are an integral part of these financial statements.

NORTH STEWART UTILITY DISTRICT

**Statement of Revenues, Expenses
and Changes in Net Position**

For the Three Months Ended August 31, 2018

Operating Revenues:	
Metered water sales	\$276,163
Tap fees	6,000
Other operating fees	10,803
Total Operating Revenues	292,966
 Operating Expenses:	
Personnel costs	68,937
Commissioners fee	1,000
Employee benefits	11,523
Water purchases	3,531
Materials and supplies	49,278
Repairs and maintenance	6,453
Vehicle expenses	3,409
Office expense	4,581
Insurance	28,089
Utilities	23,661
Professional services	4,900
Travel and training	125
Depreciation	58,500
Miscellaneous	26
Total Operating Expenses	264,013
Operating income (loss)	28,953
 Nonoperating Revenues (Expenses):	
Interest income	349
Interest expense	(22,490)
Total Nonoperating Revenues (Expenses)	(22,141)
Net change in net position	6,812
Net Position, Beginning of the year	5,175,419
Net Position, End of the year	\$5,182,231

The notes accompanying the financial statements are an integral part of these financial statements.

**North Stewart Utility District
2361 Highway 79
Dover, TN 37058
931-232-5525
931-232-7757(Fax)**

6. Do you have written policies for rates and fees (how they are implemented and billed, including adjustments)?

The meters are read the middle of each month, the meters are entered and checked for errors. The bills are sent the end of each month. Customers bills are due on the 10th of every month. If bills are paid after the 10th a 10 percent penalty goes on. If bills are not paid by the 20th of each month meter is turned off and \$100.00 reconnection is added to bill. The entire must be paid before service is reconnected.

Leak Adjustment Policy is attached

Leak Adjustment Policy

On July 17, 2017 the Board of Commissioners voted to adopt the Servline Leak Adjustment Policy effective December 1, 2017. The policy covers one leak per year, a \$2.00 fee is added to each customers bill. The customer can opt out of the policy but will not receive a leak adjustment if leak occurs. The policy does not cover fill swimming pools or leaving water hose on. Servline takes 12 months history the two largest bills are taken out and the rest is averaged. The high bill is subtracted from the average bill. The customer pays the average bill Servline pays the district the difference.



Reelfoot Utility District

Reelfoot Utility District

	2016	2017	2018
Utility Revenue	\$102,574.00	\$105,824.00	\$154,018.00
Other Revenue	\$26,342.00	\$11,065.00	\$6,959.00
Operating Revenue	\$128,916.00	\$116,889.00	\$160,977.00
Operating Expenses	\$179,598.00	\$175,305.00	\$161,672.00
Operating Income	(\$50,682.00)	(\$58,416.00)	(\$695.00)
Non-Operating Revenues (Expenses)	\$1,995.00	\$1,905.00	\$1,111.00
Change In Net Position	(\$48,687.00)	(\$56,511.00)	\$416.00
Grant/Capital Contribution	\$0.00	\$0.00	\$0.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Reelfoot Utility District

Staff Summary:

The Reelfoot Utility District has been referred for financial distress. The District lost its largest customer, Samburg Utility District, in 2015.

In February 2017, the District raised rates 72.29% based on a rate analysis from TAUD.

The District has two commissioners that have not been properly trained, one of those has not been properly appointed. Karen Griffin was appointed by the Lake County Commission in 2014 and did not receive her initial 12 hours of training until 2018. Kevin Bargery was last appointed in 2008 and has never received training.

Staff Recommendation:

Order the following:

- 1. By June 14, 2019, the District shall have the Tennessee Association of Utility Districts or another qualified expert approved by Board staff assist in completing a five-year capital asset plan.**
- 2. By June 14, 2019, the District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.**
- 3. By June 14, 2019, the District shall ensure that all commissioners have been properly appointed.**
- 4. Board staff is given the authority to grant one extension of no more than six months upon a showing of good cause by the District.**
- 5. The District shall send financial updates to staff by March 1st and September 1st of each year beginning September 1, 2019, until the Board releases the District from its oversight.**



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

September 13, 2018

Mr. William Calhoun
Reelfoot Utility District
365 Gooch Rd.
Tiptonville, TN 38079

Dear Mr. Calhoun,

Reelfoot Utility District (hereinafter "District") has been referred to the Utility Management Review Board (hereinafter "Board") as financially distressed. Pursuant to Tennessee Code Annotated § 7-82-401(g)(3) a utility district is financially distressed when it, its system or systems, is shown by the audited annual financial reports, as having either a deficit total net position, is in default on an indebtedness, or has a negative change in net position for two (2) consecutive years.

Please fill out the enclosed questionnaire and return it and all supporting documentation to our office no later than December 14, 2018. Please submit this to either utilities@cot.tn.gov, and/or the following mailing address:

Utility Management Review Board
ATTN: John Greer
Cordell Hull Building
425 Fifth Avenue North
Nashville, Tennessee 37243

While we recognize that this questionnaire may be difficult to fill out, it is necessary to determine how we can help you achieve long-term financial success. After we receive your information, we will decide whether it is necessary for the District to (1) meet with our staff or (2) go directly before the Board.

If you need further assistance or have any questions, please feel free to contact me at (615) 747-5260 or utilities@cot.tn.gov.

Sincerely,

John Greer
Technical Secretary

Enclosure
cc (w/out encl.): Mr. Kevin Bargery, President



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

UMRB Financial Questionnaire

Utility: Reelfoot Utility District

Instructions: Please submit the following information

- ✓ 1. Five year history of your rates (all rate classes and types)
2. Five year history of all utility fees (include records of how the District rationalized charges for: tap fees, reconnection fees, etc.)
3. The current customer contract used for new service accounts
4. Three year history of commissioner appointments (include orders from the appropriate appointing agency)
5. Three year history of commissioner training (include certificates of attendance)
6. Three year history of commissioner payments (including all travel expenses)
7. Most current balance sheet and income statement (accounts must be broken out by water and sewer **if applicable**; you may need to estimate or use a percentage for each)
8. A copy of your debt management policy ✓
9. A copy of your capitalization policy (by which you decide whether you capitalize versus expense items) ✓

Instructions: Please respond to each question below with detailed answers

1. **Do you have a plan to remedy your financially distressed position?**
 - a. **If so, please provide a detailed copy.**
2. How many customers do you have currently? Please break out by metered, non-metered, billed and un-billed, and class (residential, commercial, etc.).
- ✓ 3. What percentage of your sales do the largest ten (10) customers (by volume and by revenue) represent on a yearly basis?
4. Do you have plans for a rate increase or decrease?
 - a. If yes, has your Board voted on it?
 - i. Please attach the relevant minutes that show all discussion and votes.
 - b. If no, please attach the minutes where the relevant discussion and vote took place to not change the current rate structure.
5. What were the reasons for the current structure of your rates?
6. Do you have written policies for rates and fees (how they are implemented and billed, including adjustments)? ✓
 - a. If so, please attach copies of the relevant policies.
7. How do you make customers aware of the rates and fees you have in place?
 - a. Is this done at least annually? If not, please explain.
8. Do you have a capital asset plan?
 - a. If so, how long does it forecast (5 year, 10 year, etc.)?

- b. Please attach a copy.
 - c. If you do not have a capital asset plan, please justify why you do not.
9. Do you review your capital asset list?
- a. If so, please indicate the frequency it is reviewed (annually, semi-annually, etc.) and who reviews this list.
 - b. If you do not review your capital asset list, please justify why you do not.
10. Do you have any environmental issues currently or forthcoming that will put a financial burden on the District?
11. Do you have a leak adjustment policy?
- a. If so, what is the average yearly amount adjusted in gallons, cost to produce (or purchase), and lost revenue?
 - b. Please attach a copy of the policy.
12. Have you, or do you plan to incur any new debt during the current fiscal year?
- a. If so, please provide a detailed explanation.
13. Have you, or do you plan to receive any grants or capital contributions during the current fiscal year?
- a. If so, please provide a detailed explanation.
14. Have you applied for grants that will be received over the next two years?
- a. If so, please provide a detailed explanation.
15. Do you produce or purchase your water supply?
- a. If you produce your own water,
 - i. What is the cost per thousand to produce?
 - ii. Do you have any wholesale customers?
 - 1. Do you have written contracts with those customers?
 - b. If you buy your water,
 - i. What is the cost per thousand?
 - ii. Do you have a long term contract in place?
16. What is your current non-revenue water percentage?
- a. Do you have any plans for improving your non-revenue water percentage?
 - b. If so, please provide a detailed explanation.
17. With respect to your board of commissioners, how frequently do you meet and what is your practice of providing notice of your meetings?

For your information: Pursuant to Tenn. Code Ann. § 10-7-503(g), beginning July 1, 2017 every governmental entity must establish and adopt a written public records policy. For more information visit: <http://www.comptroller.tn.gov/openrecords/>

I hereby certify that the information provided is true and correct to the best of my knowledge.

Signature: Healy Pais Title: Commissioner Date: 1-23-19

Please mail, e-mail, or fax copies of any documentation to:

Utility Management Review Board
 Cordell Hull Building
 425 Fifth Avenue North
 Nashville, TN 37243
 Phone: (615) 747-5260
 Fax: (615) 741-1551
 utilities@cot.tn.gov

REELFOOT UTILITY DISTRICT
135 GOOCH RD
TIPTONVILLE TN

1. Attached
2. Fee schedule attached also rate study
3. Attached
4. Attached
5. Attached
6. Attached
7. Balance sheet and income statement
8. On the agenda for March
9. Attached

1. We have taken a tank out of service that will relieve us of some depreciation obligation. According to the auditor this will save us approximately \$14,000.00 a year.
Due to the fact we are producing 60% less water our backwashing and chemical expense has been reduced. Also, we have been able to remove an automatic flushing valve that is no longer needed. Preliminary audit for 2018 is showing a positive income of \$400.00 and the projection for 2019 is looking like \$15,000.00
2. 262 accounts 68 inactive all metered services
3. See attachment
4. No not at this time
 - b. not available
5. TAUD did a rate study
6. Yes only adjustment policy
7. Yes posted in the office and the CCR
8. No
 - c. oversight
9. Yes
 - b. annually and the commissioners

10. No

11. Yes

a. not available. Adjustment policy

12. No

13. No

14. No

15. Yes

I. Variable production cost is \$.72 per 1000

ii No

16. non-revenue as percent by volume water supplied 29.2% non-revenue water as percent by cost of operating system is 4.3%

a. We eliminated an automated flushing valve that is no longer needed

and reduced backwashing.

17. Once a month and it is on the bill

REELFOOT UTILITY DISTRICT

RATE CHART

Billing Information

EFFECTIVE February 11, 2017

- Bill due date: The 15th of every month.
- The Late Payment Penalty Charge will be added the day after the due date.
- Meter Reading begins on the 10th of each month.

BILL DATE	DUE DATE	LATE CHARGE
Feb 11- March 10	April 15	April 16
March 11- April 10	May 15	May 16
April 11- May 10	June 15	June 16
May 11- June 10	July 15	July 16
June 11- July 10	August 15	August 16
July 11- Aug 10	September 15	September 16

Rates	Gallons	2013-2017	2/2017-Present
Residential	1 st 2,000 Gallons for 2013-2017	\$14.00	\$24.12
	1 st 1,000 gallons for 2/2017-Present		
	Each Add'l 1,000 Gallons	\$3.70	\$6.38
Commerical	1 st 2,000 Gallons for 2013-2017	\$20.50	\$35.32
	1 st 1,000 gallons for 2/2017-Present		
	Each Add'l 1,000 Gallons	\$3.70	\$6.38
Wholesale	Each 1,000 Gallons	\$2.06	n/a
Equity	Each 1,000 Gallons	\$0.91	*Equity rate is now included in regular rate*

Adoption Date 2-11-17
 Effective Date 2-11-17

Reelfoot Utility District
365 Gooch Road
Tiptonville, Tennessee 38079
Ph: 731-253-8490
Fax: 731-253-8489
Email: reelfootutility@kyn.twcbc.com

Dear Customer,

To meet the financial obligations of Reelfoot Utility District the following rate increase will become effective on the billing cycle 2-11-2017 through 3-10-2017. This bill will be mailed to customers on March 31, 2017. This increase is mandated by Tennessee State Law and the State of Tennessee Comptroller's office.

Residential Rate

Minimum charge – first 1,000 gallons \$24.12
Each additional 1,000 gallons @ \$6.38 per 1,000 gallons

Commercial Rate

Minimum charge – first 1,000 gallons \$35.32
Each additional 1,000 gallons @ \$6.38 per 1,000 gallons

Kevin Bargery, President

Reelfoot Utility District

REELFOOT UTILITY DISTRICT

POLICY FOR CUSTOMER FEES, RATES AND CHARGES

Charges for New Service

1... Any Customer or potential Customer desiring utility service from this Utility shall fill out a CONTRACT FORM. The fee associated with the application is NOT a security deposit and is NOT refundable unless the Utility cannot, within a reasonable period of time, provide service.

a) All Fees and Charges set forth in this Policy are found in the Utilities Rates and Fees Schedule.

2 ... A transfer fee shall be charged to transfer an existing account to a new service place within the district.

3... A fee of \$150.00 shall be assessed to a property owner who resumes responsibility for service formerly in the name of a tenant.

4... A tapping privilege fee is a charge made when utility service is initially run from the main line to the Customer's property line or a maximum of 35 feet. The ownership of the tap is conveyed along with the property.

5... A residential or commercial/industrial tap shall entitle a Customer to utility service to one and only one dwelling or business. If a second residential dwelling or business is to receive service on the same or neighboring tract, a second tap must be obtained.

6... If any Customer fails to disconnect any additional dwellings during the allotted time period, the Customer's service shall be disconnected for violation of the rules and regulations of this Utility at the convenience of the Utility.

Temporary or Seasonal Charges

7... Customers requiring temporary service shall pay all costs of connecting and disconnecting service, in addition to the regular charge for water used, provided such temporary service can be feasibly provided at the discretion of the Utility. No application fee shall be assessed to a property owner who resumes responsibility for service formerly in the name of a tenant.

8... The Customer shall pay all costs for the discontinuance and reinstatement of service for temporary repairs and for any other purposes for the Customer's exclusive benefit.

9... If a Customer wishes their service be temporarily turned off, he/she must contact the Utility in person. Depending on the duration of the cut-off, the Utility will valve off or remove the meter, at its discretion. In either case, there is a small service fee for both the cut-off and the reinstatement of service (see Schedule of Rates and Charges).

10... As long as the account is active, a minimum bill will be assessed at each billing period (the minimum bill reflects each Customer's share of the overhead to operate the system). By keeping the account active, the Customer can demand service at any time and therefore must share in the costs.

Miscellaneous Charges

REELFOOT UTILITY DISTRICT

FEE SCHEDULE

CONTRACT FEE FOR NEW CUSTOMERS \$150.00
 DUAL CONTRACT WITHIN DISTRICT \$25.00
 SERVICE RECONNECTION FEE \$25.00
 TAP FEE \$550.00 PLUS ANY BORE FEES

RESIDENTIAL RATES

MINIMUM CHARGE 1ST 1,000 GALLONS \$24.12
 EACH ADDITIONAL 1,000 GALLONS \$6.38 PER 1,000 GALLONS

COMMERICAL RATES

MINIMUM CHARGE 1ST 1,000 GALLONS \$35.32
 EACH ADDITIONAL 1,000 GALLONS \$6.38 PER 1,000 GALLONS

LATE FEE 10% OF CURRENT BALANCE

ADOPTION DATE: 1-23-19

EFFECTIVE DATE: 1-23-19

Kevin Dwyer
Kevin Smith
Heery Paris

REELFOOT UTILITY DISTRICT OF LAKE COUNTY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2018

ASSETS**Current assets**

Cash and cash equivalents	\$ 26,313
Certificate of deposit	112,454
Accounts receivable - billed services for utility customers	<u>17,913</u>
Total current assets	<u>156,680</u>

Noncurrent assets

Restricted assets	
Cash and cash equivalents - restricted	<u>59,542</u>

Capital assets

Land	15,162
Utility plant in service	2,152,430
Less: Provision for depreciation	<u>(881,349)</u>
Total capital assets	<u>1,286,243</u>
Total noncurrent assets	<u>1,345,785</u>

Total assets

1,502,465

LIABILITIES**Current liabilities**

Other accrued liabilities	1,608
Current portion of loan payable	<u>59,544</u>
Total current liabilities	<u>61,152</u>

Noncurrent liabilities

Customer meter deposits	7,826
Loan payable	<u>496,546</u>
Total noncurrent liabilities	<u>504,372</u>

Total liabilities

565,524

NET POSITION

Net investment in capital assets	730,153
Restricted for debt service	59,542
Unrestricted	<u>147,246</u>
Total net position	<u>\$ 936,941</u>

The accompanying notes are an integral part of the financial statements.

JANUARY 24, 2017

REELFOOT UTILITY DISTRICT - SUMMARY OF RATE ANALYSIS

Based on the 2016 audited numbers and adding in 3% inflation:

Problem -

The District does not have the required debt ratio of 1.2. There debt ratio is -.05.

Solution -

We recommend increasing rates by 72.29%. This will increase net revenue and it will raise the required debt ratio to 1.2. This is based on no new debt or new equipment/projects.

We do recommend lowering the minimum usage over time. This has been discussed at the State level to not include free water in the minimum bill, so you would be ahead of the game. As time goes on, you would lower your minimum to include zero gallons.

It is also suggested to increase rates based on the attached Consumer Price Index (CPI) schedules. Also attached is a sample of a resolution that can be used to raise rates based on CPI schedules.

Please call us with any questions.

Thank you,

Mark L. Butler
Melanie Sain

REELFOOT UTILITY DISTRICT**SUMMARY OF WATER RATES ONLY**

	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	
Residential				
Minimum (2,000 gallons)	14.00	14.00	14.00	
Each additional 1,000 gallons	3.70	3.70	3.70	per 1,000 gallons
Commercial				
Minimum (2,000 gallons)	20.50	20.50	20.50	
Each additional 1,000 gallons	3.70	3.70	3.70	per 1,000 gallons
Wholesale				
Each 1,000 gallons	2.06	2.06	2.06	
NUMBER OF CUSTOMERS	<u>264</u>	<u>260</u>	<u>261</u>	



Sneedville Utility District

Sneedville Utility District

	2016	2017	2018
Utility Revenue	\$469,212.00	\$504,082.00	\$509,280.00
Other Revenue	\$59,886.00	\$36,964.00	\$38,353.00
Operating Revenue	\$529,098.00	\$541,046.00	\$547,633.00
Operating Expenses	\$539,445.00	\$526,450.00	\$558,339.00
Operating Income	(\$10,347.00)	\$14,596.00	(\$10,706.00)
Non-Operating Revenues (Expenses)	(\$48,050.00)	(\$48,573.00)	(\$31,886.00)
Change In Net Position	(\$58,397.00)	(\$33,977.00)	(\$42,592.00)
Grant/Capital Contribution	\$117,087.00	\$1,147,830.00	\$0.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Sneedville Utility District

Staff Summary:

The Sneedville Utility District has been referred for financial distress. The District has not had a rate study. It appears a District commissioner has not met the training requirements.

Staff Recommendation:

Order the following:

1. **By May 31, 2019, the District shall contract with the Tennessee Association of Utility Districts or another qualified expert as approved by Board staff to complete the following:**
 - a. **a rate analysis with recommendations to remedy the financially distressed position of the District,**
 - b. **a review of the District's public records policy, including suggestions to ensure the policy complies with Tenn. Code Ann. § 10-7-501, et. seq; and**
 - c. **a review of the payment policy to ensure it complies with Tenn. Code Ann. § 9-1-108(c)(3).**
2. **The District shall ensure that its commissioners have met all training requirements and are thus eligible to serve pursuant to Tenn. Code Ann. §§ 7-82-307(b)(5) & 7-82-308(f). Otherwise, the District shall appoint eligible commissioners in accordance with the law.**
3. **Board staff is given the authority to grant one extension of up to six months of the foregoing deadlines upon a showing of good cause by the District.**
4. **The District shall send financial updates to staff by March 1st and September 1st of each year beginning September 1, 2019, until the Board releases the District from its oversight.**

FROM: Sneedville Utility District

IN RE: UMRB FINANCIAL QUESTIONNAIRE

Instruction: Please submit the following information

1. Five year history of your rates (all rate classes and types)...See Attachment[1]
2. Five year history of all utility fees (include records of how the District rationalized charges for: tap fees, reconnection fees, etc.)...See Attachment[2]
3. The current customer contract used for new accounts...See Attachment[3]
4. Three year history of commissioner appointments (include orders from appropriate appointing agency)...See Attachment[4]
5. Three year history of commissioner training (include certificates of attendance)...See Attachment[5]
6. Three year history of commissioner payments (including all travel expenses...See Attachment[6]
7. Most current balance sheet and income statement...only water, no sewer...See Attachment[7]
8. A copy of your debt management policy...See Attachment[8]
9. A copy of your capitalization policy(by which you capitalize vs. expense...See Attachment[9]

Instruction: Please respond to each question below with detailed answers

1. Do you have a plan to remedy your financially distressed position?...See Attachment[10]
2. How many customers do you have currently? Please break out by metered, non-metered, billed and un-billed, and class (residential, commercial, etc.) we have 817 cust.)...See Attachment[11]
3. What percentage of your sales do the largest ten (10) customers (by volume and by revenue) represent on a yearly basis? (16.5% revenue, and 18% volume)...See Attachment[12]
4. Do you have plans for a rate increase or decrease?
5. What were the reasons for the current structure of your rates?
6. Do you have written policies for rates and fees (how they are implemented and billed, including adjustments)?...See Attachments[1,2, 13]
7. How do you make customers aware of the rates and fees you have in place? We run this annually in the local newspaper (Sneedville News Shopper).
8. Do you have a Capital Asset Plan? If so, how long does it forecast (5, 10 years etc...See Attach[14]
9. Do you review your capital asset list? If so, please indicate the frequency it is reviewed (annually, semi-annually, etc.), and who reviews the lists? If you do not review your capital asset list, please justify why you do not. [The Capital Asset List is reviewed annually]
10. Do you have any environmental issues currently or forthcoming that will put a financial burden on the District? NO
11. Do you have a leak adjustment policy? If so, what is the average yearly amount of adjusted in gallons, cost to produce (or purchase), and lost revenue? See Attachment[13]
12. Have you, or do you plan to incur any new debt during the current fiscal year? If so, please provide a detailed explanation. [We do not expect to incur new debt in the current fiscal year]
13. Have you, or do you plan to receive any grants or capital contributions during the current fiscal year? NO
14. Have you applied for grants that will be received over the next two years? NO

15. Do you produce or purchase your water supply? Produce 175
16. What is your current non-revenue water percentage? 45%
17. With respect to your Board of Commissioners, how frequently do you meet and what is your practice of providing notice of meetings? Legal Ad in Sneedville News Shopper—Monthly
18. Do you have a Public Records Policy in compliance with TCA 10-7-503(g)...See Attachment[15]
19. Are your capital assets properly insured?...Yes...See Attached[16]

I hereby certify that the information provided is true and correct to the best of my knowledge.

Signature: _____ **Title:** _____, **Date:**

Mail to: **Utility Management Review Board**
 Cordell Hull Building
 425 Fifth Avenue North
 Nashville, Tennessee 37243

Phone: (615) 747-5260
Fax: (615) 741-1551
e-mail: utilities@cot.tn.gov

Ayes _____ Nays _____ Abstain _____

IV. New Business:

1. Discuss three names for commissioner replacement to submit to mayor Thomas Harrison:

The utility received 2 letters, one from Larry Wayne Hopkins and one for Ron Paretto. W.C. Collins nominated Scott F. Collins.

Motion by Dean Rhea to accept letters and submit the above three names to Mayor Thomas Harrison for consideration. Second by W.C. Collins.

Ayes 2 Nays _____ Abstain _____

2. Approve rate schedule as follows:

Residential	0-10 gallons	\$0.00
	11-1,000 gallons	\$22.75 plus tax
	999,999,999 gallons	\$8.45 per 1,000 gallons plus tax
Commercial	0-10 gallons	\$0.00
	11-1,500	\$43.25 plus tax
	999,999,999 gallons	\$8.45 per 1,000 gallons plus tax
Industrial	0-10 gallons	\$0.00
	11-3,500 gallons	\$135.25 plus tax
	999,999,999 gallons	\$8.45 per 1,000 gallons plus tax

If zero usage, there will be no charge to the customer.

Motion by Dean Rhea to accept the above rate schedule. Second by W.C. Collins.

Ayes 2 Nays _____ Abstain _____

3. Discuss credit card trial expiring in January and fees for credit/debit usage:

Motion by Scott Collins to keep debit/credit machine and charge \$3.00 for purchases up to \$300.00 and charge 2.5% of the purchase over \$300.00. Second by Dean Rhea.

Ayes 3 Nays Abstain

4. Discuss United Systems network support:

Motion by Dean Rhea to decline support and contact Troy Collins to see if he is willing to be support for Sneedville Utility District. Second by Scott Collins.

Ayes 3 Nays Abstain

OTHER BUSINESS:

1.

2.

Adjournment:

Motion was made by Jerry Anderson if there be no further business, the meeting be adjourned.
Second by Scott Collins.

Ayes 3 Nays Abstain

SNEEDVILLE UTILITY DISTRICT OF HANCOCK COUNTY
FINANCIAL STATEMENTS
For the six months ended September 30, 2018

DUANE CLINE, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1951, 225 WEST FIRST NORTH STREET, SUITE 104
MORRISTOWN, TENNESSEE 37816

DUANE CLINE, CPA

Phone (423) 587-9335
Fax (423) 586-1381
Email dcline@musfiber.com

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Commissioners
Sneedville Utility District of Hancock County
Sneedville, Tennessee 37869

Management is responsible for the accompanying financial statements of Sneedville Utility District of Hancock County as of and for the six months ended September 30, 2018 in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Utility's assets, liabilities, net position, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.



Duane Cline
Certified Public Accountant

December 11, 2018

SNEEDVILLE UTILITY DISTRICT OF HANCOCK COUNTY

STATEMENT OF NET POSITION

September 30, 2018

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 116,869	
Accounts Receivable (net)	55,795	
Accrued Interest Receivable	318	
Inventory	<u>35,783</u>	
Total Current Assets		\$ 208,765

RESTRICTED ASSETS

Customer Deposits	280	
Revenue Bond Covenant Account	<u>74,261</u>	
Total Restricted Assets		74,541

CAPITAL ASSETS

Non-depreciable capital assets		
Land	260,000	
Depreciable capital assets		
Building and Improvements	258,485	
Plant in Service	8,829,146	
Office Equipment	34,733	
Equipment	124,876	
Vehicles	32,400	
Less: Accumulated Depreciation	<u>(2,741,885)</u>	
Net Capital Assets		6,797,755

OTHER ASSETS

Net Pension Asset		<u>14,598</u>
-------------------	--	---------------

TOTAL ASSETS		7,095,659
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflow Related to Pensions		<u>33,438</u>
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TOTAL ASSETS AND OUTFLOWS OF RESOURCES		<u>\$7,129,097</u>
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See Accountant's Report.

SNEEDVILLE UTILITY DISTRICT OF HANCOCK COUNTY

STATEMENT OF NET POSITION (CONTINUED)

September 30, 2018

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 5,955	
Accrued Payroll	25,667	
Other Accrued Expenses	16,021	
Customer Deposits Payable	24,347	
Accrued Interest Payable	1,669	
Revenue Bonds & Notes Payable-Current	<u>27,890</u>	
Total Current Liabilities		\$ 101,549

NONCURRENT LIABILITIES

Revenue Bonds Payable		<u>945,519</u>
-----------------------	--	----------------

TOTAL LIABILITIES

1,047,068

DEFERRED INFLOWS OF RESOURCES

Deferred Inflow Related to Pensions		24,700
-------------------------------------	--	--------

NET POSITION

Net Investment in Capital Assets	5,824,346	
Restricted for Debt Service	57,333	
Unrestricted	<u>175,650</u>	

Total Net Assets

6,057,329

TOTAL LIABILITIES, INFLOWS AND NET POSITION

\$7,129,097

See Accountant's Report.

SNEEDVILLE UTILITY DISTRICT OF HANCOCK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

September 30, 2018

OPERATING REVENUES

Charges for Sales and Services		
Water Sales	\$258,916	
Penalties	4,108	
Connection Fees	2,000	
Service Charges	5,431	
Meter Reading Income	<u>2,700</u>	
Total Operating Revenues		\$ 273,155

OPERATING EXPENSES

Cost of Sales and Services	24,531	
Salaries, Payroll Taxes, and Employee Benefits	104,262	
Maintenance, Operations, and Contractual Services	39,691	
Administration	34,358	
Depreciation	<u>90,137</u>	
Total Operating Expenses		<u>292,979</u>

OPERATING INCOME (19,824)

NON-OPERATING REVENUES (EXPENSES)

Interest Income	67	
Interest Expense on Revenue Bonds	(20,281)	
Grant Income	<u>152,145</u>	

 Total Non-Operating Revenues (Expenses) 131,931

CHANGE IN NET POSITION 112,107

NET ASSETS AT BEGINNING OF YEAR 5,945,222

NET ASSETS AS OF SEPTEMBER 30, 2018 \$6,057,329

See Accountant's Report.

SNEEDVILLE UTILITY DISTRICT OF HANCOCK COUNTY

STATEMENT OF CASH FLOWS

September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 272,856
Cash Payments for Employees Services and Benefits	(110,252)
Cash Payments to Suppliers for Goods and Services	<u>(88,868)</u>
Net Cash Provided by Operating Activities	\$ 73,736
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Grants	152,145
Capital Assets from Construction in Progress	(186,851)
Principal Paid on Capital Debt	(62,776)
Interest Paid on Capital Debt	<u>(20,281)</u>
Net Cash Used For Capital and Related Financing Activities	(117,763)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>14</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(44,013)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>160,882</u>
CASH AND CASH EQUIVALENTS AS OF SEPTEMBER 30, 2018	\$ <u>116,869</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating Income	\$ (19,824)
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities	
Depreciation	90,137
(Increase) Decrease in Accounts Receivable – Trade	3
Increase (Decrease) in Accounts Payable	(2,014)
Increase (Decrease) in Accrued Payroll	(5,990)
Increase (Decrease) in Accrued Expenses	11,726
Increase (Decrease) in Customer Meter Deposits	<u>(302)</u>
Total Adjustments	<u>93,560</u>
Net Cash Provided by Operating Activities	\$ <u>73,736</u>

See Accountant's Report.

Rec'd
8/17/15
kd

THOMAS J. HARRISON
Hancock County Mayor

Hancock County Courthouse

Phone: 423-733-4341

PO Box 347

Fax: 423-733-4348

Sneedville, TN 37869

08/14/2015

Gentlemen,

Thank you for the nominations to consider for the Sneedville Utility District. They are all excellent choices. However we must choose only one and my selection at this time is Scott F. Collins. I think you will be able to work together well.

Sincerely,



Thomas J. Harrison

Scott F. Collins

has attended and participated in the

Commissioner Training

*An Approved Commissioner Training Course Presented by the
Tennessee Association of Utility Districts*

Date: 7/13-8/1-8/24/16

Location: Johnson City Fire Hall

Hours: 12

**Tennessee Association
of Utility Districts**

Vital for Tennessee's future



Bob Freudenthal, Executive Director

2016GRAYCOM



No Staff Recommended Action



Financial



Fall River Road Utility District

Fall River Road UD

	2016	2017	2018
Utility Revenue	\$640,850.00	\$644,483.00	\$0.00
Other Revenue	\$20,700.00	\$21,060.00	\$0.00
Operating Revenue	\$661,550.00	\$665,543.00	\$0.00
Operating Expenses	\$623,906.00	\$570,057.00	\$0.00
Operating Income	\$37,644.00	\$95,486.00	\$0.00
Non-Operating Revenues (Expenses)	(\$89,922.00)	(\$82,648.00)	\$0.00
Change In Net Position	(\$52,278.00)	\$12,838.00	\$0.00
Grant/Capital Contribution	\$194,686.00	\$96,932.00	\$0.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Fall River Road Utility District

Staff Summary:

On March 1, 2018, the UMRB issued an order requiring Fall River Road Utility District to comply with the following:

1. **The District shall have the Tennessee Association of Utility Districts (TAUD) or other qualified expert perform a rate study;**
2. **The District shall include in the rate study a financial analysis comparing the purchasing of water long term from the City of Lawrenceburg versus the cost of continuing to explore for other water sources;**
3. **The District shall have the TAUD or other qualified expert perform an analysis of the District's leak adjustment policy and shall immediately send the recommendations to UMRB staff for review;**
4. **The District shall send a comprehensive update to UMRB staff no later than May 30, 2018; and**
5. **The District shall provide a status update to UMRB staff on or before the 1st of March and the 1st of September yearly beginning September 1, 2018, until compliance with this order is reached and the UMRB releases the District from oversight.**

While the District brought in TAUD to perform a rate study and review the leak adjustment policy, the information was sent to Board staff three months after the deadline.

The District did not comply with point two of this order and asserts the suggestions of the rate study are unnecessary.

On October 18, 2018, the Board ordered Fall River Road Utility District to comply with the following:

1. **The District shall have the TAUD or another qualified expert complete paragraph 2 of the March 1, 2018 order by December 31, 2018.**
2. **Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).**
3. **After the public hearing, the District shall adopt and implement all rate study recommendations.**
4. **The District shall send financial updates to Board staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**

The District has complied with all paragraphs of the order. It is not necessary for staff to hold a public hearing pursuant to Tenn. Code Ann. § 7-82-703(b). Staff recommends no Board action.

BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD**IN THE MATTER OF:****FALL RIVER ROAD UTILITY
DISTRICT**)
)
)
)
)
)
)**TENN. CODE ANN. § 7-82-401(g)
-FINANCIAL DISTRESS****ORDER**

On October 18, 2018, the Tennessee Utility Management Review Board (“the Board”) reviewed the financially distressed status of Fall River Road Utility District (“the District”) pursuant to Tenn. Code Ann. § 7-82-401(g). The District failed to fully comply with the Board’s March 1, 2018 order. Based on the District’s continued financial deficiencies and failure to comply with the Board’s prior order, the Board hereby orders the following:

1. The District shall have the Tennessee Association of Utility Districts or another qualified expert complete paragraph 2 of the March 1, 2018 order by December 31, 2018.
2. Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).
3. After the public hearing, the District shall adopt and implement all rate study recommendations.
4. The District shall send financial updates to Board staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.

ENTERED this 24 day of October, 2018.


ANN V. BUTTERWORTH, Chair
Utility Management Review Board



BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:

**T.C.A. § 7-82-401(g) — FINANCIAL DISTRESS
FALL RIVER ROAD UTILITY DISTRICT**

ORDER

Pursuant to T.C.A. § 7-82-401(g), the Tennessee Utility Management Review Board (the "UMRB") on February 22, 2018 reviewed the financially distressed status of the Fall River Road Utility District (the "District"). Based on the District's financial deficiencies, the UMRB directs the District to comply the following plan to correct the deficiencies:

1. The District shall have the Tennessee Association of Utility Districts (TAUD) or other qualified expert perform a rate study;
2. The District shall include in the rate study a financial analysis comparing the purchasing of water long term from the City of Lawrenceburg versus the cost of continuing to explore for other water sources;
3. The District shall have the TAUD or other qualified expert perform an analysis of the District's leak adjustment policy and shall immediately send the recommendations to UMRB staff for review;
4. The District shall send a comprehensive update to UMRB staff no later than May 30, 2018; and
5. The District shall provide a status update to UMRB staff on or before the 1st of March and the 1st of September yearly beginning September 1, 2018, until compliance with this order is reached and the UMRB releases the District from oversight.

Entered this 1st day of March, 2018.

Ann V. Butterworth, Chair
Utility Management Review Board

From: [Mark Butler](#)
To: [John Greer](#)
Subject: UMRB Order of Compliance for Fall River Road UD
Date: Monday, December 17, 2018 1:57:37 PM
Attachments: [image003.png](#)

John

On December 13, 2018 Fall River Road UD returned TUA's engagement letter officially asking for assistance with the dated October 24, 2018 UMRB Order. Per order directive 1)The District will have TAUD or another qualified expert perform a financial analysis comparing the purchasing of water long term from the City of Lawrenceburg versus the cost of continuing to explore for other water sources. TUA is asking for an extension on this part of the order moving it from December 31, 2018 deadline to a January 31, 2019 deadline.

Please let me know if this will be feasible with the UMRB/Comptroller.

I can follow-up with a formal letter if needed.

Thank You

Mark

Mark L. Butler

Finance-Compliance

Tennessee Association of Utility Districts (TAUD)

840 Commercial Court

Murfreesboro, Tennessee 37129

marklbutler@taud.org

office: 615-896-9022

mobile: 615-557-5780

Voicemail Required





Tennessee Utility Assistance, LLC
 840 Commercial Court
 Murfreesboro, TN 37129
 Voice (615) 896-9022
 Fax (615) 898-8283

**REPORT FOR FALL RIVER ROAD UTILITY DISTRICT ON
 DIRECTIVES OF UTILITY MANAGEMENT REVIEW BOARD IN ITS
 OCTOBER 24, 2018 ORDER**

February 26, 2019

Introduction

Fall River Road Utility District (the District) provides water service to 1,085 active customers in Lawrence County, Tennessee. The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending December 30, 2016, because it met the statutory definition for a financially distressed utility district. The District had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2015 and June 30, 2016.

On October 24, 2018, the UMRB entered an order directing the District to do the following:

- 1) The District shall have the Tennessee Association of Utility Districts or another qualified expert complete paragraph 2 of the March 1, 2018 order by December 31, 2018.
- 2) Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).
- 3) After the public hearing, the District shall adopt and implement all rate study recommendations.
- 4) The District shall send financial updates to Board staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.

The District hired Tennessee Utility Assistance, LLC (TUA) to update the District's prior rate study to determine whether any additional rate changes are necessary and to assist it in complying with the UMRB directives.

Rate Study Update and Financial Update

On December 30, 2017, the District's monthly service rates for all customers were as follows:

Minimum charge (includes 1,000 gallons)	\$22.00
All over 1,000 gallons	\$ 9.35 per 1,000 gallons

The District had a positive change in net position of \$12,838 for its fiscal year ending December 30, 2017, not including, grants, capital contributions, or excluded pension and OPEB non-cash items. However, based upon TUA's review of the District's revenues and expenses for 2018, it projects that the District will have a negative change in net position for 2018 upon the completion of its annual audit of approximately \$38,411. Therefore, TUA recommended that the District increase its rates.

At its board meeting on December 11, 2018, the District's board of commissioners adopted the following new rates for all bills rendered after January 1, 2019:

Minimum charge (includes 1,000 gallons)	\$23.00
	\$10.35 per 1,000 gallons

A copy of the minutes of the December 18, 2018 board meeting are attached as Exhibit 1.

TUA projected the District's revenue requirements needed to fund its ongoing expenses. TUA projected the District's operations and maintenance expenses, debt service payments and any reserve requirements for its fiscal years ending December 31, 2019, December 31, 2020 and December 31, 2021. See Exhibit 2. The District informed TUA that it had no planned capital improvements for these upcoming fiscal years.

Revenues projections included the rate increase adopted on December 18, 2018. The District annual customer growth rate is very small; therefore, TUA did not project any revenue increases based upon customer growth.

After consultation with the District, operation and maintenance expenses were projected using inflationary increases of 3% with the exception of contract labor, depreciation and interest expenses. Those estimates were retrieved from the District, and amortization and depreciation schedules.

Exhibit 2 demonstrates that at the current rates adopted on December 11, 2018, the District should have a positive change in net position (excluding grants, capital contributions and excluded pension and OPEB non-cash items) for its 2019, 2020 and 2021 fiscal years. At current rates the District will have a debt service ratio of at least 2.99 for each of these years.

The District will experience a substantial increase in its change in net position for these years for two primary reasons. First, the rate increase adopted by the District on December 18, 2018.

Second, the District has been able to substantially decrease the amount of water purchases from Lawrenceburg Utility System (LUS) due to the replacement of all of the transite pipe (concrete asbestos pipe) in the District's distribution system since the beginning of 2016. The project was partially funded by a Rural Development loan of \$1,125,000. The transite pipe removal project consisted of three separate replacements projects including valves, hydrants and service lines:

59,100 linear feet of 6-inch transite (concrete asbestos pipe) on various roads with 6-inch polyvinyl chloride (pvc) pipe.

5,840 linear feet of 4-inch transite (concrete asbestos pipe) on various roads with 4-inch polyvinyl chloride (pvc) pipe.

3,600 linear feet of 4-inch transite (concrete asbestos pipe) on various roads with 4-inch polyvinyl chloride (pvc) pipe.

These replacements substantially reduced the District's water loss which decreased its need to purchase water from LUS to meet its customers' water supply needs which thereby decreased its annual water purchased expense.

Therefore, TUA does not see any need for the District to implement any increase in its monthly service rates during its fiscal year ending December 31, 2019.

TUA recommends that the District review its rates in the Fall of 2020 and 2021 to ensure that the current rates for the upcoming fiscal year will continue to produce sufficient revenues to give it a positive change in net position for its fiscal years ending December 31, 2020 and December 31, 2021 as projected.

Because the District should experience a positive change in its net position for its next three fiscal years, the District does not believe the UMRB needs to hold a hearing on any further customer rate changes. TUA suggests that this Report and Exhibit 2 serve as the March 1, 2019 financial update for the UMRB.

Cost Comparison of Purchasing Water from City of Lawrenceburg and Withdrawal and Treatment of Water from Existing Wells

The UMRB requested that the District include in its rate study a cost comparison of purchasing of water long term from the City of Lawrenceburg versus the cost of continuing to use its existing wells and water treatment plant to meet the District's water supply needs. TUA believes that the UMRB requested the District do this cost comparison due to the increasing purchases of water by the District from Lawrenceburg Utility Systems (LUS) in 2015 and 2016.

As previously described, the District's transite pipe replacement project significantly decreased the District's need to purchase water from LUS to meet its water supply needs. After the completion of this project, the District's water supply needs decreased by approximately 3,000,000 gallons per month. Currently the District only purchases water from LUS when it has issues at its water treatment plant, and such purchases are generally for a limited 24 to 48 hours period. During 2018 the District purchased only 10,821,300 gallons from LUS which represents approximately 13% of its annual water supply. At this time, the District has no plans to drill any more wells for an additional raw water supply.

TUA prepared a cost comparison of the District purchasing its water supply from LUS with the District continuing to use its present wells and treatment plant for its water supply. This cost comparison is attached as Exhibit 3 to this Report. The cost comparison demonstrates that the

District can provide the water supply needed for its customers more economically using its existing wells and treatment plant than purchasing water from LUS.

The District provided TUA with the total number of gallons the District's pumped from its treatment plant for 2018. The District purchases water from LUS at the rate of \$2.11 per 1,000 which is a wholesale rate established by LUS for its water utility district wholesale customers. The District does not have a contract with LUS to purchase a minimum or maximum amount of water. TUA calculated the cost of buying from LUS all of the water it produced by its treatment plant in 2018. TUA added to this amount the cost of the water the District actually purchased from LUS during 2018 of \$22,852.24. If the District had purchased all of its water from LUS during 2018, the District would have paid \$149,964.03 for its water supply.

Page 2 of Exhibit 3 shows the expenses which the District incurred in 2018 in withdrawing water from its existing wells and treating the water for distribution to its customers. TUA calculated the District's expenses incurred in producing water by examining all of the District's operation and maintenance expenses and allocating those expenses which are related to the District's water withdrawal and treatment processes. TUA and the District performed an analysis of three expense accounts which required an allocation of these accounts between water treatment and water distribution expenses. One account, Repairs and Maintenance – Contractor Labor, was a large expense in 2018. TUA and the District reviewed each invoice paid in this account to determine whether the work described in the invoice was for water treatment only. This expense includes not only labor and materials for the operation of the District's water treatment plant but also includes labor and material for repairs to the District's water distribution, customer connections, customer turn-ons and turn-offs, responding to locate requests and other miscellaneous tasks.

The total costs of the District operating its water withdrawal and treatment plant for 2018 was \$94,500.32. The District has an easement with a property owner, Buford Springer, to withdraw raw water for its water treatment plan. In 2018, the District purchased 68,399,000 gallons from Mr. Springer at a cost of \$35,909.52. This cost was added to the District water treatment costs for 2018. TUA added cost of potable water purchased from LUS in 2018 was added. The total cost incurred by the District in 2018 using its wells and treatment plan was \$603,515.57.

Because of the transite line replacement project, the District sees no need to drill new wells for a raw water supply in the near future. Therefore, the District's cost to produce water for its customers is significantly cheaper than its cost to purchase its entire water supply from LUS. TUA would recommend the District continuing to use its wells and treatment plant to supply its water for the foreseeable future.

December 11, 2018

Exhibit 1

Fall River Road Utility District

Location: Crossroads Fire Department

MEETING CALLED TO ORDER: Guy Hester

INVOCATION: Robert Bivens

ROLL CALL: Guy Hester

BOARD MEMBERS PRESENT: Guy Hester, Robert Bivens, Joe Fincher, Greg Holt

MEMBERS ABSENT: Tyler McDow

MEETING MINUTES: Nov. 13, 2018 motion to accept as presented. Approved 1st Robert Bivens 2nd Greg Holt

FINANCIAL REPORT: Nov. 2018 motion to accept as presented. Approved 1st by Greg Holt 2nd by Robert Bivens

WTP UPDATE: Todd updated everything running good...well level at 66'

OLD BUSINESS:

- After much discussion and a mandate from the Tennessee Comptroller's office, a motion to adopt an \$1.00 increase on minimum usage in addition to a \$1.00 increase on the variable. Minimum usage bill will now be \$23.00 for first 1,000 gallons and \$10.35 for each additional effective with next billing.
- Board of Commissioners gave Todd Tingle, Manager, the authority to carry out all proposed orders.

Approved 1st Greg Holt 2nd Robert Bivens

NEW BUSINESS:

- Nominations for opening for new commissioner is as follows by calculated votes:
 1. Lyndon Smith
 2. Ardeen Walters
 3. Channing Cope

Approved 1st Greg Holt 2nd Robert Bivens

- Next agenda to discuss the projected rate increase for the next 10 years.
- All officers are to remain the same

President:	Guy Hester
Vice President:	Greg Holt
Secretary:	Joe Fincher

Approved 1st Robert Bivens 2nd Greg Holt

COMMISSIONER COMMENTS:

PUBLIC COMMENTS: none

MOTION TO ADJOURN: 7:10 PM by: 1st Greg Holt 2nd Robert Bivens

Guy Hester *Joe Fincher*
Robert Bivens

Fall River Road Utility District- Projected Statements of Revenues and Expenses and Changes in Net Position

Exhibit 2

	Actual <u>12/31/2016</u>	Actual <u>12/31/2017</u>	Actual <u>12/31/2018</u>	Projected <u>12/31/2019</u>	Projected <u>12/31/2020</u>	Projected <u>12/31/2021</u>
Operating Revenues:						
Metered Sales	640,850	644,483	639,772	820,000	820,000	820,000
Installation & Tap Fees	20,700	21,060	19,690	20,000	20,000	20,000
Total Operating Revenues	661,550	665,543	659,462	840,000	840,000	840,000
Operating Expenses:						
Water Purchased	97,585	75,565	58,998	60,000	61,800	63,654
Wages & Payroll Taxes	19,884	5,741	4,641	6,500	6,695	6,896
Contact Labor - Collections & Billings	39,600	39,600	39,600	39,600	39,600	39,600
Contract Labor - Distribution	24,000	24,000	24,000	24,000	24,000	24,000
Contract Labor - Meter Reading	7,350	7,350	7,350	7,000	7,000	7,000
Contract Labor - Office	12,000	12,000	12,000	12,000	12,000	12,000
Contract Labor - Operations	17,047	18,000	19,600	19,600	19,600	19,600
Supplies	52,308	44,822	58,623	59,000	60,770	62,593
Office Expense	5,439	7,105	8,824	9,200	9,476	9,760
Dues & Fees	6,002	7,811	4,880	5,000	5,150	5,305
Repairs & Maintenance	168,883	149,591	214,852	160,000	164,800	169,744
Insurance	8,680	10,008	9,254	10,000	10,300	10,609
Utilities	37,697	34,802	30,455	31,500	32,445	33,418
Professional Services	8,593	15,972	5,810	7,000	7,210	7,426
Miscellaneous	1,583	435	920	1,100	1,133	1,167
Depreciation	117,255	117,255	117,255	118,000	118,000	118,000
Total Operating Expenses	623,906	570,057	617,062	569,500	579,979	590,772
Operating Income (Loss)	37,644	95,486	42,400	270,500	260,021	249,228
Nonoperating Revenues (Expenses)						
Interest Income	1,110	604	143	500	500	500
Interest Expenses	(91,032)	(83,252)	(80,954)	(83,000)	(77,821)	(76,163)
Total Nonoperating Revenues (Expenses)	(89,922)	(82,648)	(80,811)	(82,500)	(77,321)	(75,663)
Change in Net Position before Capital Contribution	(52,278)	12,838	(38,411)	188,000	182,700	173,565
Capital Contribution	194,686	96,932	32,379	-	-	-
Change in Net Position	142,408	109,770	(6,032)	188,000	182,700	173,565

NOTE: Projected Expenses for the years ended 6/30/20 & 6/30/21 were increased by 3% with the exception of contract labor, depreciation and interest expense. Those were retrieved from the client, amortization schedule and depreciation schedules.

Debt Service Ratio	Actual 12/31/2016	Actual 12/31/2017	Actual 12/31/2018	Projected 12/31/2019	Projected 12/31/2020	Projected 12/31/2021
Operating Income (Loss)	37,644	95,486	42,400	270,500	260,021	249,228
Add back depreciation	117,255	117,255	117,255	-	118,000	118,000
Excess (deficit)	154,899	212,741	159,655	388,500	378,021	367,228
Debt Service (principal and interest)	122,796	122,796	122,796	122,796	122,796	122,796
Debt Ratio %	1.26	1.73	1.30	3.16	3.08	2.99

Summary of Debt - (as of 12/31/17 audit)	Principal	Interest	Total
Rural Development	185,536	132,641	318,177
Rural Development	246,223	155,245	401,468
Rural Development	744,166	568,151	1,312,317
Rural Development	1,090,378	635,680	1,726,058
	2,266,303	1,491,717	3,758,020
Retirement of Debt	Principal	Interest	Total
2018	41,842	80,954	122,796
2019	43,379	79,417	122,796
2020	44,975	77,821	122,796
2021	46,633	76,163	122,796
2022	48,355	74,441	122,796
2023-2027	212,022	279,162	491,184
2028-2032	312,642	301,338	613,980
2033-2037	80,874	41,922	122,796
2038-2042	80,628	23,640	104,268
2043-2048	40,675	7,121	47,796
2049-2054	51,859	1,339	53,198
	1,003,884	1,043,318	2,047,202

Fall River Road Utility District- Water Production Cost Using District's Treatment Plant

Exhibit 3

From 12/31/18 - Income Statement	Total Expenses	Expenses Regardless of Purchased or Produced	Expenses Related to Operating Well/Water Treatment	Explanation
Commissioner Salary	4,300.00	4,300.00	-	Expense would not change with LUS purchase
Required Sampling	2,030.00	2,030.00	-	Expense would not change with LUS purchase
Office Expense	8,124.12	8,124.12	-	Expense would not change with LUS purchase
Contract Labor - Operations	19,600.00	-	19,600.00	Plant Operator Labor only related to operating well and treatment
Contract Labor - Collections	39,600.00	39,600.00	-	Expense would not change with LUS purchase
Contract Labor - Distribution	24,000.00	24,000.00	-	Expense would not change with LUS purchase
Contract Labor - Meter Reading	7,350.00	7,350.00	-	Expense would not change with LUS purchase
Contract Labor - Office	12,000.00	12,000.00	-	Expense would not change with LUS purchase
Advertising	749.00	749.00	-	Expense would not change with LUS purchase
Operating Supplies	56,592.64	37,785.64	18,807.00	Estimated for chemicals & supplies to operating well and treatment
Telephone & Mileage	1,433.70	1,433.70	-	Expense would not change with LUS purchase
Repairs & Maintenance - Contract Labor	156,836.05	153,041.05	3,795.00	Examined invoices from Tingle & Son to determine well and treatment
Repairs & Maintenance - Other	58,016.35	58,016.35	-	Expense would not change with LUS purchase
Utilities	29,020.01	12,631.01	16,389.00	Estimated for plant utilities
Legal & Professional Fees	5,810.00	5,810.00	-	Expense would not change with LUS purchase
Payroll Taxes	341.85	341.85	-	Expense would not change with LUS purchase
Other Taxes & Licenses	700.00	700.00	-	Expense would not change with LUS purchase
Insurance	9,254.00	9,254.00	-	Expense would not change with LUS purchase
Miscellaneous	170.75	170.75	-	Expense would not change with LUS purchase
Depreciation	117,255.00	117,255.00	-	Expense would not change with LUS purchase
Dues & Subscriptions	4,880.20	4,880.20	-	Expense would not change with LUS purchase
Interest Expense	80,954.00	80,954.00	-	Expense would not change with LUS purchase
Water Purchased	58,998.22	23,088.90	35,909.32	Raw water purchased from Buford Spring Well.
	<u>698,015.89</u>	<u>603,515.57</u>	<u>94,500.32</u>	

Fall River Road Utility District- Cost of All Water Purchased from Lawrenceburg Utility System

<u>If the District bought all water from LUS</u>	<u>100% Purchase</u>
Gallons Pumped & Purchased from 1/1/18 - 12/31/18	81,314,530
Cost per 1,000 Gallons	<u>2.11</u>
Total Cost	<u>\$ 171,573.66</u>



Northwest Henry Utility District

Northwest Henry County Utility District

	2016	2017	2018
Utility Revenue	\$267,504.00	\$258,567.00	\$302,591.00
Other Revenue	\$26,603.00	\$23,013.00	\$18,575.00
Operating Revenue	\$294,107.00	\$281,580.00	\$321,166.00
Operating Expenses	\$300,163.00	\$287,826.00	\$294,225.00
Operating Income	(\$6,056.00)	(\$6,246.00)	\$26,941.00
Non-Operating Revenues (Expenses)	(\$13,010.00)	(\$11,577.00)	(\$10,096.00)
Change In Net Position	(\$19,066.00)	(\$17,823.00)	\$16,845.00
Grant/Capital Contribution	\$5,300.00	\$2,700.00	\$4,706.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Northwest Henry Utility District

Staff Summary:

On October 10, 2018, the Board ordered Northwest Henry Utility District to comply with the following:

1. **The District shall have the TAUD or another qualified expert:**
 - a. **perform a rate study;**
 - b. **create a five-year capital asset plan with the assistance of the District;**
 - c. **review the District's capital asset list with the assistance of the District; and**
 - d. **provide a proposed plan of action for future revenue needs.**
2. **The District shall provide an update on paragraph one of this order, including the rate study and any recommendations made by the qualified expert, to Board staff by March 1, 2019.**
3. **After receipt of the rate study and recommendations, Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b); and**
4. **The District shall send financial updates to staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.**

The District has complied with all paragraphs of the order. It is not necessary for staff to hold a hearing pursuant to Tenn. Code Ann. § 7-82-703(b). Staff recommends no Board action at this time.

BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:

**NORTHWEST HENRY COUNTY
UTILITY DISTRICT**

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)
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**TENN. CODE ANN. § 7-82-401(g)
-FINANCIAL DISTRESS**

ORDER

On October 18, 2018, the Tennessee Utility Management Review Board (“the Board”) reviewed the financially distressed status of Northwest Henry County Utility District (“the District”) pursuant to Tenn. Code Ann. § 7-82-401(g). Based on the District’s financially distressed status, the Board hereby orders the following:

1. The District shall have the Tennessee Association of Utility Districts (“TAUD”) or another qualified expert:
 - a. perform a rate study;
 - b. create a five-year capital asset plan with the assistance of the District;
 - c. review the District’s capital asset list with the assistance of the District; and
 - d. provide a proposed plan of action for future revenue needs.
2. The District shall provide an update on paragraph one of this order, including the rate study and any recommendations made by the qualified expert, to Board staff by March 1, 2019.
3. After receipt of the rate study and recommendations, Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).

4. The District shall send financial updates to staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.

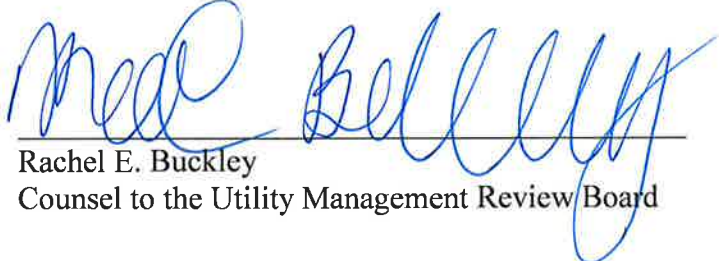
ENTERED this 24 day of October, 2018.


ANN V. BUTTERWORTH, Chair
Utility Management Review Board

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 24th day of October, 2018:

Alice Massey and Board of Commissioners
Northwest Henry County Utility District
P.O. Box 1356
Paris, TN 38242


Rachel E. Buckley
Counsel to the Utility Management Review Board



Tennessee Utility Assistance, LLC
 840 Commercial Court
 Murfreesboro, TN 37129
 Voice (615) 896-9022
 Fax (615) 898-8283

**REPORT FOR NORTHWEST HENRY COUNTY UTILITY DISTRICT
 ON DIRECTIVES OF UTILITY MANAGEMENT REVIEW BOARD IN
 ITS OCTOBER 24, 2018 ORDER**

March 15, 2019

Introduction

Northwest Henry County Utility District (the District) provides water service to approximately 460 customers in Henry County, Tennessee. The District was referred to the Utility Management Review Board (UMRB) upon the submission of its audit for its fiscal year ending June 30, 2017, because it met the statutory definition for a financially distressed utility district. The District had a negative change in net position for two consecutive years without regard to any grants or capital contributions for its fiscal years ending June 30, 2016 and June 30, 2017.

On October 24, 2018, the UMRB entered an order directing the District to do the following:

- 1) The District shall have the Tennessee Association of Utility Districts or another qualified expert:
 - a. Perform a rate study;
 - b. Create a five-year capital asset plan with the assistance of the District;
 - c. Review the District's capital asset list with the assistance of the District;
 - d. Provide a proposed plan of action for future revenue needs.
- 2) The District shall provide an update on paragraph one of this order, including the rate study and any recommendations made by the qualified expert, to Board staff by March 1, 2019.
- 3) After receipt of the rate study and recommendations, Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. 7-82-703(b).
- 4) The District shall send financial updates to staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.

The District had a positive change in net position of \$21,551 for its fiscal year ending June 30, 2018. This amount did not include grants, capital contributions, or excluded pension and OPEB non-cash items.

Five Year Capital Asset Plan

TUA worked with the District to prepare a five-year capital asset plan by undertaking the following four tasks:

- (1) TUA reviewed the District's current fixed asset list with the District's Board of Commissioners to confirm that all fixed assets and water system improvements were still in service and were being properly depreciated. As part of review, the District's Board of Commissioners discussed revising the current fixed asset list to remove items under \$2,000 as detailed in the capitalization policy. This would be a prior period adjustment and will decrease the District's net position.
- (2) TUA reviewed the District's current capitalization policy and recommended changes to the policy after consultation with the District. This assessment included a review of the current useful lives being used by the District for the depreciation of its capital assets.
- (3) TUA discussed the capital improvements the District desired to make to its water system in the next five years and the purchase of other capital assets the District desires to make over the next five years.
- (4) TUA developed a five-year financial plan for the District, projecting the cash needed: based upon projected revenues and expenses, debt payments and rate funded capital improvements included in its five-year capital asset plan.

Review of Current Fixed Assets Schedule

After reviewing the District's current fixed asset schedule, Ms. Massey the Board of Commissioners and Mark Butler with TUA concluded that all capital assets on the schedule, which were not fully depreciated, were still in service. Mr. Butler discussed removing items on the fixed asset schedule that are under the capitalization threshold of \$2,000. This would result in a prior period adjustment. The Board will review recommended adjustments at the next meeting.

Review of Capitalization Policy

After consultation with Ms. Massey and the District's Board of Commissioners, the District decided to change its current definition of a capital assets to include any asset which has a useful life of more than two years and a cost of \$2,000 or more. TUA also recommended other additional changes to the capitalization policy. At its board meeting on March 11, 2019, the District adopted a new capitalization policy, developed from the District's discussions with TUA. A copy of this policy is attached as Exhibit 1.

Five-Year Capital Asset Plan

Mr. Butler met with Ms. Massey and discussed potential capital improvements the District wanted to make to its water system and office over the next five years. They discussed potential capital purchases as related to operating the District's water system and what funding options were available for these capital expenditures. This five-year plan began with the District installing a tank controller and will replace approximately 90 meters by 2019 fiscal year end. The District will replace the remaining 310 residential meters in 2020. The District plans to purchase and install a

zone meter and a booster pump station in 2021. The District intends to purchase and install these items with existing cash reserves.

Based upon these discussions, the District adopted the Five-Year Capital Asset Plan (the Plan) attached to this Report as Exhibit 2.

TUA prepared a Projected Fund Balance Schedule – Cash Basis which shows the sources and uses of cash funds based upon the Plan. This Projected Fund Balance Schedule is attached as Exhibit 3. The District will pay off its 1982 bond issue in 2020. The payoff of this bond issue and the District's rate increase effective May 1, 2018 will result in a gradual increase in the District's cash reserves through June 30, 2023.

Rate Study Update and Financial Update

Since the District came under the jurisdiction of the UMRB, the District implemented a 17.4% rate increase for bill rendered after May 1, 2018. The rate increase raised the minimum bill from \$29.00 to \$35.00 with 1,000 gallons included and increased the rate for gallons over 1,000 from \$8.78 to \$9.30 per 1,000 gallons.

For its fiscal year ending June 30, 2018, the District had a positive change in net position of \$21,551, not including, grants, capital contributions, or excluded pension and OPEB non-cash items.

To determine the District's revenue requirements needed to fund the its ongoing expenses, TUA projected the District's operations and maintenance expenses, debt service payments, capital expenditures and reserve requirements for its fiscal years ending June 30th of 2019 - 2023. Attached as Exhibit 4.

Exhibit 4 demonstrates that at its current rates, the District should have a positive change in net position (excluding grants, capital contributions and excluded pension and OPEB non-cash items) for its fiscal years ending June 30, 2019, June 30, 2020, June 30, 2021, June 30, 2022 and June 30, 2023.

Water sales projections were made based upon the rates effective May 1, 2018. Since 2014 the District has experienced no annual customer growth. Therefore, the water sales projections do not include any revenue increases based upon this annual customer growth. Connect fees (which includes tap fees), contract application fees, and penalties were projected based upon five-year averages from 2014-2018. Miscellaneous fees are projected from District projections.

After consultation with the District, operation and maintenance expenses were projected using inflationary increases of 3% with the exception of depreciation and interest expenses. Interest expenses were projected based upon the District's debt amortization schedules. Annual depreciation expenses were projected based upon the District's fixed assets schedule and the asset's useful service life on this schedule for depreciation and the increased depreciation based upon the added new items. Water purchases expense was increased at a rate of .07% each year which is consistent with the District's growth. Equipment under \$2,000 expense category, includes the purchase of nine valves.

Therefore, TUA does not see any need for the District to implement any increase in its monthly service rates during its current fiscal year ending June 30, 2019, or for its next fiscal year ending June 30, 2020.

TUA recommends that the District review its rates in the Spring of 2020, 2021 and 2022 to ensure that the current rates will continue to produce sufficient revenues to give it a positive change in net position for its fiscal years ending June 30, 2021, June 30, 2022 and June 2023 as projected.

TUA suggests that this Report and the Exhibit 4 serve as the March 1, 2019 financial update for the UMRB.

Exhibit 1

NORTHWEST HENRY COUNTY UTILITY DISTRICT
FIXED ASSET CAPITALIZATION POLICY

Purpose

This policy is adopted to establish consistent guidelines for the capitalization and depreciation of fixed assets.

Capitalization Requirements

(1) Long term or fixed assets, including land, land improvements, buildings, building improvements, infrastructure, easements, construction work in progress, operating machinery and equipment, office furniture and equipment, and vehicles will be capitalized when:

- the asset has a useful life of more than two years; and
- the asset has a cost of \$2,000 or more.

Assets which are not capitalized will be expensed in the year of acquisition.

(2) The capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased in a single order, each costing \$500, will not qualify for capitalization even though the total cost of the desk order of \$5,000 exceeds the threshold of \$2,000.

(3) For purposes of capitalization, the threshold will generally not be applied to components of fixed assets which form one working system such as computer systems, electronic and laboratory equipment and other similar working systems, except as set forth in Infrastructure Capital Assets Section. The entire working system will be treated as a single fixed asset provided the entire system meets the \$2,000 threshold.

(4) Repairs to existing fixed assets will generally not be subject to capitalization. Repairs are generally recognized as expenditures which are necessary to keep an asset in its intended operational condition and which do not materially increase the value of the asset. If a repair extends the useful life of a capital asset by more than two years and costs \$2,000 or more, then the repair represents an improvement and should be capitalized.

Infrastructure Capital Assets

Infrastructure includes new construction, replacement due to expansion or new technology, replacement due to the end of normal life cycle, major repairs or refurbishment and assets contributed by developers, customers or other third parties to the District.

(1) **New Construction.** New construction normally begins as a Construction-In-Progress project and may take more than one fiscal year to complete. At the completion of the project, the total costs of the project may be broken down by the major component groups

of assets such as distribution systems, pumping systems, tanks, meters, etc. Each component unit of the assets is listed based on the nature of the component and the length of the estimated useful life of that component.

(2) Replacement Due to Expansion or New Technology. Replacement occurs when old systems or equipment is replaced because the District is either expanding its facilities to increase capacity or new technology and equipment has become available on the market which is more cost efficient than existing systems or equipment being used. In this situation, the old systems or equipment are replaced when they still have a remaining useful life and economic value. When each individual item or component unit of assets costs \$2,000 or more and has a useful life of more than two years, the individual item or component unit of assets should be capitalized. Because the retired equipment or systems still have a positive net book value, the District will calculate and record the appropriate loss on disposition.

(3) Replacement Due to the End of Life Cycle. Replacement can occur as a result of normal scheduled maintenance. Component units are purchased and installed to replace old systems or equipment when they have no useful life or economic value. When the aggregate total cost of the component units is \$2,000 or more and have a useful life of more than two years, the component units should be capitalized. The estimated portion of the original asset that was replaced will be removed from the asset records of the District.

(4) Repairs or Refurbishments. The District's existing infrastructure requires regular repair and maintenance. Repair or refurbishment expenses to existing capital assets may be capitalized under certain circumstances. The criteria for determining whether the expenditure is an expense or capital asset requires knowledge of the effect the repair will have on the capital asset. To be considered as a capital asset, these conditions must be met: (a) the total repair or refurbishment cost of one job must be \$2,000 or more, and; (b) after the repair or refurbishment, the remaining useful life of the existing asset must be extended by at least two years. When the above conditions are not met, the cost of repair or refurbishment will be considered as an operations and maintenance expense.

(5) Contributed Assets. The District may require a developer or customer to build or finance the building of utility system improvements as condition for receiving natural gas service. Upon the completion of the utility system improvements, the developer or customer contributes the improvements to the District, and the District accepts ownership of the contributed improvements. In this situation, the utility system improvements are recorded as a capital asset at the time of acceptance by the District. The total cost of the utility system improvements may be broken down by the major component groups of assets. Each component unit of the assets is listed based on the nature of the component and the length of the estimated useful life of that component.

Determination of Cost

- (1) Capital assets will be reported at historical cost. Cost will include all necessary expenditures to acquire the asset and place the asset into service, including ancillary costs.
- (2) Ancillary costs for infrastructure, buildings and improvements include professional fees of engineers, architects, attorneys, appraisers, financial advisors and other similar professionals; insurance premiums; costs incurred to obtain financing for the project; and other related costs incurred during construction necessary to place the asset into service.
- (3) Ancillary costs for equipment and vehicles include transportation charges, installation costs, licensing fees, and any other normal and necessary expenditures required to place the asset into its intended state of operation.
- (4) Ancillary costs for land include legal and title fees, appraisal and negotiation fees, damage payments, site preparation costs and demolition costs of unwanted structures.
- (5) Contributed capital assets will be recorded at their estimated fair market value on the date the contributed asset was accepted by the District.
- (6) Self-constructed assets will be recorded based upon all direct costs (including labor) associated with the construction project.

Depreciation

- (1) With the exception of land and easements, all capital assets will be depreciated using the straight-line method over the useful life of the asset.
- (2) Regardless of the month the capital asset is placed in service, a full year of depreciation will be recorded in the first year. Once the asset has been fully depreciated, the asset will be kept on the books until its disposal.
- (3) The useful life of a capital asset for depreciation will be determined as follows:

Asset Class	Description	Useful Life in Years
Land improvements		20-50
Water system infrastructure	Pipelines, pump stations, tanks, meters	25-40
Buildings and building improvements		20-50

Operating machinery and equipment	Dump truck, construction equipment	5-10
Vehicles	Car, truck	3-7
Office furniture and equipment	Desk, chair, file cabinet, telephone printer	3-10
Information systems	Computer, server, software, monitor	3-6

Fixed Assets Tagging and Inventory

Upon acquisition, all fixed assets other than infrastructure, buildings, land and land improvements will be assigned a serially numbered District tag which will be affixed to the asset. The District will conduct an annual physical inventory of tagged fixed assets. The inventory should identify assets which are missing or were sold, traded in, discarded or disposed of since the last annual physical inventory.

Northwest Henry County Utility District
Five Year Capital Asset Plan

<u>Fiscal Year</u>	<u>2019</u>	<u>2020</u>	<u>Estimated Cost</u> <u>2021</u>	<u>2022</u>	<u>2023</u>
Land					
Distribution System	-	-	-	-	-
Machinery & Equipment	-				
Tank Controller	14,481	-	-	-	-
Meters	18,000	62,000			
Zone Meter	-	-	10,000	-	
Booster Pump Station	-	-	15,000		
	<u>32,481</u>	<u>62,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Cumulative Depreciation	3,796	6,896	8,146	8,146	8,146
Total Capital Outlay & Depreciation	<u>36,277</u>	<u>68,896</u>	<u>33,146</u>	<u>8,146</u>	<u>8,146</u>
<u>Source of Funds</u>					
Rates	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
Cash	32,481	62,000	25,000	-	-
Total Funding Sources	<u>32,481</u>	<u>62,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>

Northwest Henry County Utility District - Projected Fund Balance Schedule - Cash Basis

Exhibit 3

	Projected 6/30/2019	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023
Beginning Balance	168,422	151,831	122,820	135,715	167,598
Sources of Funds					
Water Sales	355,000	355,000	355,000	355,000	355,000
Other Revenue	22,500	22,500	22,500	22,500	22,500
Interest Income	400	400	400	400	400
Grants and Loans	-	-	-	-	-
Total Sources of Funds	377,900	377,900	377,900	377,900	377,900
Uses of Funds					
Operating Expenses	268,700	272,897	272,750	278,763	284,942
Depreciation	49,560	52,660	53,910	53,910	53,910
Debt Service - Principal	34,750	11,738	6,024	6,176	6,332
Debt Service - Interest	9,000	7,616	7,320	7,168	7,012
Capital Outlay	32,481	62,000	25,000	-	-
Total Uses of Funds	394,491	406,911	365,004	346,017	352,196
Ending Balance	151,831	122,820	135,715	167,598	193,302
Cash Reserves					
Cash Reserves	58,521	50,806	68,461	100,344	126,048
Reserves - Debt Service	43,750	19,353	13,344	13,344	13,344
Reserves - Depreciation	49,560	52,660	53,910	53,910	53,910
Reserves - Other	-	-	-	-	-
Total	151,831	122,820	135,715	167,598	193,302

NOTE: This synopsis from beginning funds to ending funds does not include accounts receivable, accounts payable, fixed asset or any other adjustments made to the balance sheet. This is a "cash basis" summary.

NOTE: Beginning balance at 6/30/19 is comprised of 6/30/18 balance of \$146,871 + 6/30/18 change in net position of \$21,551.

Northwest Henry County Utility District - Projected Statements of Revenues and Expenses and Changes in Net Position**Exhibit 4**

	Actual 6/30/2014	Actual 6/30/2015	Actual 6/30/2016	Actual 6/30/2017	Actual 6/30/2018	Projected 6/30/2019	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023
Operating Revenues:										
Water Sales	277,518	276,514	267,504	258,567	302,591	355,000	355,000	355,000	355,000	355,000
Connect Fees	5,187	7,920	7,860	5,835	6,635	6,700	6,700	6,700	6,700	6,700
Contract Applications	2,100	2,315	2,850	2,400	2,200	2,500	2,500	2,500	2,500	2,500
Penalty Charged	8,140	8,727	8,829	8,935	9,740	8,800	8,800	8,800	8,800	8,800
Miscellaneous	9,689	167	7,064	5,843	-	4,500	4,500	4,500	4,500	4,500
Total Operating Revenues	302,634	295,643	294,107	281,580	321,166	377,500	377,500	377,500	377,500	377,500
Operating Expenses:										
Water Purchases	100,023	123,905	102,667	82,891	91,078	93,000	93,651	94,307	94,967	95,631
Contract Services	12,576	121	-	1,221	2,034	2,000	2,060	2,122	2,185	2,251
Meter Reader	6,905	6,319	6,916	7,006	7,021	7,000	7,210	7,426	7,649	7,879
Repairs & Maintenance	75,398	76,199	78,499	55,889	43,626	48,000	49,440	50,923	52,451	54,024
Parts	6,906	6,878	11,918	16,684	20,169	20,000	20,600	21,218	21,855	22,510
Utilities	-	-	-	-	9,282	9,000	9,270	9,548	9,835	10,130
Travel	5,244	4,544	5,283	3,889	4,222	4,000	4,120	4,244	4,371	4,502
Commissioners' Fees	3,048	3,232	3,325	3,232	3,592	3,600	3,708	3,819	3,934	4,052
Fees - Certified Operator	1,016	1,108	2,263	3,001	2,770	3,000	3,090	3,183	3,278	3,377
Rent	4,179	3,651	2,889	3,721	3,706	3,700	3,811	3,925	4,043	4,164
Cable & Telephone	3,950	4,569	4,777	5,498	4,929	4,600	4,738	4,880	5,027	5,177
Lawn Maintenance	2,132	2,024	2,133	1,391	-	-	-	-	-	-
Office Supplies	554	681	379	826	1,277	700	721	743	765	788
Audit & Bookkeeping	21,483	22,328	22,762	22,813	22,463	24,000	24,720	25,462	26,225	27,012
Postage	2,241	2,259	2,300	2,137	2,254	2,200	2,266	2,334	2,404	2,476
Social Security Expense	367	247	772	24,175	21,037	21,200	21,836	22,491	23,166	23,861
Bonds & Insurance	3,925	5,024	4,367	5,045	6,247	12,000	12,360	12,731	13,113	13,506
Dues	958	1,149	454	1,962	2,100	2,000	2,060	2,122	2,185	2,251
Newspaper Notices	1,000	997	939	1,577	654	700	721	743	765	788
Miscellaneous	-	1,095	3,204	552	-	500	515	530	546	563
Depreciation	31,391	33,623	44,316	44,316	45,764	49,560	52,660	53,910	53,910	53,910
Equipment Under \$2,000	-	-	-	-	-	7,500	6,000	-	-	-
Total Operating Expenses	283,296	299,953	300,163	287,826	294,225	318,260	325,557	326,660	332,673	338,852
Operating Income (Loss)	19,338	(4,310)	(6,056)	(6,246)	26,941	59,240	51,943	50,840	44,827	38,648

Nonoperating Revenues (Expenses)										
Interest Income	503	455	400	431	443	400	400	400	400	400
Interest Expense	(7,735)	(12,013)	(13,410)	(12,008)	(10,539)	(9,000)	(7,616)	(7,320)	(7,168)	(7,012)
Total Nonoperating Revenues (Expenses)	<u>(7,232)</u>	<u>(11,558)</u>	<u>(13,010)</u>	<u>(11,577)</u>	<u>(10,096)</u>	<u>(8,600)</u>	<u>(7,216)</u>	<u>(6,920)</u>	<u>(6,768)</u>	<u>(6,612)</u>
Change in Net Position before Contributed C	12,106	(15,868)	(19,066)	(17,823)	16,845	50,640	44,727	43,920	38,059	32,036
Capital Contributions	<u>3,600</u>	<u>191,400</u>	<u>5,300</u>	<u>2,700</u>	<u>4,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>15,706</u>	<u>175,532</u>	<u>(13,766)</u>	<u>(15,123)</u>	<u>21,551</u>	<u>50,640</u>	<u>44,727</u>	<u>43,920</u>	<u>38,059</u>	<u>32,036</u>

NOTE: Projected Expenses for the years ended 6/30/20, 6/30/21, 6/30/22, and 6/30/23 were increased by 3% with the exception of depreciation, interest expense and water purchases. Depreciation and interest expenses were retrieved from amortization schedule and depreciation schedules. Water purchase expenses was increased at a rate of .07% each year which is consistent with the District's growth.

Debt Service Ratio	Actual 6/30/2014	Actual 6/30/2015	Actual 6/30/2016	Actual 6/30/2017	Actual 6/30/2018	Projected 6/30/2019	Projected 6/30/2020	Projected 6/30/2021	Projected 6/30/2022	Projected 6/30/2023
Operating Income (Loss)	19,338	(4,310)	(6,056)	(6,246)	26,941	59,240	51,943	50,840	44,827	38,648
Add back depreciation	31,391	33,623	44,316	44,316	45,764	49,560	52,660	53,910	53,910	53,910
Excess (deficit)	50,729	29,313	38,260	38,070	72,705	108,800	104,603	104,750	98,737	92,558
Debt Service (principal and interest)	30,406	30,406	43,750	43,750	43,750	43,750	19,353	13,344	13,344	13,344
Debt Ratio %	1.67	0.96	0.87	0.87	1.66	2.49	5.41	7.85	7.40	6.94

Summary of Debt - (as of June 30, 2018 audit)	Principal	Interest	Total
2015 Revenue Bonds Payable	307,173	150,637	457,810
1982 General Obligation Bonds Payable	34,882	1,533	36,415
	<u>342,055</u>	<u>152,170</u>	<u>494,225</u>
Retirement of Debt	Principal	Interest	Total
2019	34,750	9,000	43,750
2020	11,737	7,616	19,353
2021	6,024	7,320	13,344
2022	6,176	7,168	13,344
2023	6,332	7,012	13,344
2024-2028	34,144	32,576	66,720
2029-2033	38,686	28,034	66,720
2034-2038	43,831	22,889	66,720
2039-2043	49,660	17,060	66,720
2044-2048	56,265	10,455	66,720
2049-2052	54,450	3,040	57,490
	<u>342,055</u>	<u>152,170</u>	<u>494,225</u>



Recommended Release



Financial



Cedar Grove Utility District

	2016	2017	2018
Utility Revenue	\$229,893.00	\$247,554.00	\$282,440.00
Other Revenue	\$2,900.00	\$3,000.00	\$6,225.00
Operating Revenue	\$232,793.00	\$250,554.00	\$288,665.00
Operating Expenses	\$226,580.00	\$240,826.00	\$242,885.00
Operating Income	\$6,213.00	\$9,728.00	\$45,780.00
Non-Operating Revenues (Expenses)	(\$30,620.00)	(\$28,785.00)	(\$27,424.00)
Change In Net Position	(\$24,407.00)	(\$19,057.00)	\$18,356.00
Grant/Capital Contribution	\$8,481.00	\$0.00	\$0.00





Gibson County Utility District

Gibson County Utility District

	2016	2017	2018
Utility Revenue	\$8,010,163.00	\$7,229,955.00	\$10,566,440.00
Other Revenue	\$564,223.00	\$631,348.00	\$595,648.00
Operating Revenue	\$8,574,386.00	\$7,861,303.00	\$11,162,088.00
Operating Expenses	\$8,810,846.00	\$8,322,212.00	\$8,838,763.00
Operating Income	(\$236,460.00)	(\$460,909.00)	\$2,323,325.00
Non-Operating Revenues (Expenses)	(\$51,733.00)	(\$20,250.00)	\$851.00
Change In Net Position	(\$288,193.00)	(\$481,159.00)	\$2,324,176.00
Grant/Capital Contribution	\$0.00	\$0.00	\$0.00





Haywood County Utility District

Haywood County Utility District

	2016	2017	2018
Utility Revenue	\$286,405.00	\$356,154.00	\$409,772.00
Other Revenue	\$6,187.00	\$12,475.00	\$11,457.00
Operating Revenue	\$292,592.00	\$368,629.00	\$421,229.00
Operating Expenses	\$311,405.00	\$285,284.00	\$347,937.00
Operating Income	(\$18,813.00)	\$83,345.00	\$73,292.00
Non-Operating Revenues (Expenses)	(\$20,014.00)	(\$18,927.00)	(\$1,042.00)
Change In Net Position	(\$38,827.00)	\$64,418.00	\$72,250.00
Grant/Capital Contribution	\$0.00	\$0.00	\$0.00





Nolensville-College Grove Utility District

Nolensville-College Grove Utility District

	2016	2017	2018
Utility Revenue	\$6,537,137.00	\$7,266,553.00	\$8,304,062.00
Other Revenue	\$489,896.00	\$539,291.00	\$724,693.00
Operating Revenue	\$7,027,033.00	\$7,805,844.00	\$9,028,755.00
Operating Expenses	\$7,143,324.00	\$7,312,610.00	\$7,475,156.00
Operating Income	(\$116,291.00)	\$493,234.00	\$1,553,599.00
Non-Operating Revenues (Expenses)	(\$84,695.00)	(\$138,062.00)	(\$102,966.00)
Change In Net Position	(\$200,986.00)	\$355,172.00	\$1,450,633.00
Grant/Capital Contribution	\$3,694,516.00	\$4,090,877.00	\$3,666,435.00





Surgoinsville Utility District

Surgoinsville Utility District

	2016	2017	2018
Utility Revenue	\$524,441.00	\$579,312.00	\$644,784.00
Other Revenue	\$29,821.00	\$32,413.00	\$66,584.00
Operating Revenue	\$554,262.00	\$611,725.00	\$711,368.00
Operating Expenses	\$637,538.00	\$604,547.00	\$544,989.00
Operating Income	(\$83,276.00)	\$7,178.00	\$166,379.00
Non-Operating Revenues (Expenses)	(\$15,769.00)	(\$43,476.00)	(\$20,144.00)
Change In Net Position	(\$99,045.00)	(\$36,298.00)	\$146,235.00
Grant/Capital Contribution	\$14,557.00	\$7,955.00	\$6,082.00





West Stewart Utility District

West Stewart Utility District


	2016	2017	2018
Utility Revenue	\$101,778.00	\$113,612.00	\$125,273.00
Other Revenue	\$1,303.00	\$1,184.00	\$1,965.00
Operating Revenue	\$103,081.00	\$114,796.00	\$127,238.00
Operating Expenses	\$83,464.00	\$93,152.00	\$110,683.00
Operating Income	\$19,617.00	\$21,644.00	\$16,555.00
Non-Operating Revenues (Expenses)	(\$4,965.00)	(\$4,001.00)	(\$4,601.00)
Change In Net Position	\$14,652.00	\$17,643.00	\$11,954.00
Grant/Capital Contribution	\$0.00	\$0.00	\$26,500.00



Non-Revenue Water



First Utility District of Carter County



AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0
 American Water Works Association.
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Water Audit Report for: First Utility District of Carter County (0000094)

Reporting Year: 2018 7/2017 - 6/2018

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 89 out of 100 ***

System Attributes:

	Apparent Losses:	3.067	MG/Yr
	+ Real Losses:	162.448	MG/Yr
	= <u>Water Losses:</u>	165.515	MG/Yr
<div style="display: flex; align-items: center;"> ? Unavoidable Annual Real Losses (UARL): 61.66 MG/Yr </div>			
	Annual cost of Apparent Losses:	\$7,360	
	Annual cost of Real Losses:	\$41,197	Valued at Variable Production Cost
			Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	54.1%	
		Non-revenue water as percent by cost of operating system:	5.5%	Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	2.06	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	3,248.63	gallons/mile/day
		Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	162.45	million gallons/year
		? Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.63	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See independent auditors' report.

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Ocoee Utility District

**OCOEE UTILITY DISTRICT
OF POLK AND BRADLEY COUNTIES, TENNESSEE
SCHEDULE OF UNACCOUNTED FOR WATER For the Fiscal
Year Ended June 30, 2018**

**AWWA Free Water Audit Software:
System Attributes and Performance Indicators**

WAS v5.0

American Water Works Association.

Water Audit Report for:
Reporting Year:

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 90 out of 100 *****

System Attributes:

	Apparent Losses:	<input type="text" value="7.573"/>	MG/Yr
+	Real Losses:	<input type="text" value="178.387"/>	MG/Yr
=	<u>Water Losses:</u>	<input type="text" value="185.960"/>	MG/Yr

voidable Annual Real Losses (UARL): MG/Yr

Annual cost of Apparent Losses:

Annual cost of Real Losses: Valued at **Variable Production Cost**
Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial: { Non-revenue water as percent by volume of Water Supplied:
Non-revenue water as percent by cost of operating system: Real Losses valued at Variable Production Cost

Operational Efficiency: { Apparent Losses per service connection per day: gallons/connection/day
Real Losses per service connection per day: gallons/connection/day
Real Losses per length of main per day*: gallons/mile/day
Real Losses per service connection per day per psi pressure: gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): million gallons/year

structure Leakage Index (ILI) [CARL/UARL]:

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline




Tuckaleechee Utility District

TUCKALEECHEE UTILITY DISTRICT

Townsend, Tennessee

June 30, 2018



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
 American Water Works Association
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Water Audit Report for: Tuckaleechee Utility District (0000714)

Reporting Year: 2018 | 7/2017 - 6/2018

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 ***

System Attributes:

	Apparent Losses:	9.243	MG/Yr	
	+	144.729	MG/Yr	
	=	153.972	MG/Yr	
	? Unavoidable Annual Real Losses (UARL):	51.22	MG/Yr	
	Annual cost of Apparent Losses:	\$71,171		
	Annual cost of Real Losses:	\$425,926	Valued at Variable Production Cost	Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	45.7%	
		Non-revenue water as percent by cost of operating system:	16.9%	Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	5.86	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	2,353.21	gallons/mile/day
		Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	144.73	million gallons/year
		? Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.83	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline




Validity Score Entities



Spring Creek Utility District

SPRING CREEK UTILITY DISTRICT OF HARDEMAN COUNTY, TENNESSEE SCHEDULE OF UNACCOUNTED FOR WATER - UNAUDITED June 30, 2018



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

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 American Water Works Association
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Water Audit Report for: Spring Creek Utility District (0000664)

Reporting Year: 2018 7/2017 - 6/2018

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 84 out of 100 ***

System Attributes:

	Apparent Losses:	1.652	MG/Yr	
	+	Real Losses:	3.045	MG/Yr
	=	Water Losses:	4.697	MG/Yr
	? Unavoidable Annual Real Losses (UARL): See limits in definition MG/Yr			
	Annual cost of Apparent Losses:		\$12,639	
	Annual cost of Real Losses:		\$9,266	Valued at Variable Production Cost <small>Return to Reporting Worksheet to change this assumption</small>

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	10.5%	
		Non-revenue water as percent by cost of operating system:	5.4%	Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	4.20	gallons/connection/day
		Real Losses per service connection per day:	N/A	gallons/connection/day
		Real Losses per length of main per day*:	139.06	gallons/mile/day
		Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):		3.05	million gallons/year	
? Infrastructure Leakage Index (ILI) [CARL/UARL]:				

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See independent auditor's report.

-25-



Board Investigations



Carderview Utility District

Carderview UD

	2016	2017	2018
Utility Revenue	\$159,472.00	\$150,468.00	\$164,347.00
Other Revenue	\$2,835.00	\$2,265.00	\$34.00
Operating Revenue	\$162,307.00	\$152,733.00	\$164,381.00
Operating Expenses	\$164,469.00	\$169,013.00	\$195,688.00
Operating Income	(\$2,162.00)	(\$16,280.00)	(\$31,307.00)
Non-Operating Revenues (Expenses)	(\$16,502.00)	(\$34,184.00)	(\$16,249.00)
Change In Net Position	(\$18,664.00)	(\$50,464.00)	(\$47,556.00)
Grant/Capital Contribution	\$0.00	\$88,008.00	\$0.00





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Carderview Utility District

Staff Summary:

On October 18, 2018, the Board ordered Carderview Utility District to comply with the following:

1. Board staff shall hold a public hearing within the service area of the District pursuant to Tenn. Code Ann. § 7-82-703(b).
2. The District shall adopt the preferred recommendations of the TAUD staff at the first meeting of the District's board of commissioners following the public hearing referenced above in paragraph 1.
3. The District shall adopt a rate increase annually based on the CPI, but each annual increase shall be no less than 3%.
4. The District shall review all bond covenants to determine whether required reserve accounts are funded properly.
5. No later than December 31, 2018, the District shall provide an update to Board staff with minutes and documentation that reflect adoption of the required rate increase and its effective date and an analysis of the required bond covenants.
6. The District may request up to a one-month extension from Board staff, and Board staff may grant the extension should it determine the extension is necessary and appropriate.
7. The District shall send financial updates to Board staff by March 1 and September 1 of each year beginning March 1, 2019, until the Board releases the District from its oversight.
8. Board staff shall conduct an investigation of the District pursuant to Tenn. Code Ann. § 7-82-709(a) to determine the financial, technical, and managerial capacity of the District to comply with the law.

On January 7, 2019, Board staff held a public hearing at the Carderview Utility District office. At that time, Board staff determined that the District submitted incorrect information to TAUD for the rate study that the Board order was based upon. Staff informed the District that the rate study was invalid due to the lack of proper information.

Pursuant to the Board's October 2018 order, Staff also conducted an investigation of the District, which revealed deficiencies in the District's financial, managerial and technical processes. Staff noted the following deficiencies:

- The District pays \$500 per month to Kevin Burchett, who is no longer a resident of Tennessee. Mr. Burchett is the licensed operator of the District and is still considered the general manager. Mr. Burchett maintains no presence in the District and has little to no contact with the other staff members and only works several hours a month.

- Monica Brumitt and Richard Pierce have been hired as part-time employees and are now performing the operator's daily tasks. A third part time employee is responsible for collecting payment and entering those into the billing system.
- The Department of Environment and Conservation has provided an update of the technical capacity of the District, which is attached to this report.
- TAUD has updated the rate study, and the District will submit that to Board staff before the UMRB meeting.
- The District will continue to operate at a loss for the foreseeable future without financial, managerial and technical changes.

Staff Recommendation

Order the following:

- 1. The District shall adopt the recommendations of the updated TAUD rate study by June 14, 2019.**
- 2. The District shall hire a local operator who is available to work on-site with staff in order for the system to be in compliance with Tennessee Department of Environment and Conservation regulations.**
- 3. The District shall contract with TAUD or another qualified expert as approved by staff to:**
 - a. assist in determining the financial benefit to hiring one full-time employee with the authority of a general manager as opposed to three part-time employees, and**
 - b. assist the District in monthly financial reporting until the District can competently compile and report financial information internally.**
- 4. The District shall implement all personnel recommendations by June 14, 2019.**

TENNESSEE ASSOCIATION OF UTILITY DISTRICTS

Phone: (615) 896-9022
Fax: (615) 898-8283
Web: www.taud.org



Post Office Box 2529
Murfreesboro, TN 37133-2529

840 Commercial Court
Murfreesboro, TN 37129

April 3, 2019

Board of Commissioners
Carderview Utility District
177 Rainbolt Street
Butler, TN 37640

Via email and first class mail

Re: Follow Up to Office Visit on March 27, 2019

Dear Board Members:

I am writing you in follow up to the visit made by Melanie Sain and me to the District's office in Butler, Tennessee on Wednesday, March 27, 2019, on behalf of the Tennessee Association of Utility Districts (TAUD). As you know Carderview Utility District (the District) is currently under the jurisdiction of the UMRB because it is financially distressed. TAUD met with Monica Brumitt and Mary Murdock to discuss the requirements of the UMRB's October 18, 2018 Order, to review the District's current financial condition, the review the District's outstanding bond issues and debt and to discuss other operation issues and concerns. Based upon this meeting, TAUD wanted to give you a report on these issues and potential recommendations to the District moving forward.

Update of Accounting Records and Transactions

Melanie entered transactions and recorded adjustments in the District accounting software program from July 1, 2018 through the present. Melanie reconciled all of the District's bank accounts from July 1, 2018 through the present. Melanie created customized financial statement reports using the District's accounting software program for use by the board each month. The customized financial statements should give the board a more accurate picture of the District's financial condition each month than have previously been provided to the board. Melanie answered questions from Monica on accounting procedures and proper expense and revenue classifications. Melanie worked with Monica to give her assistance in entering transactions and reconciling the District's bank accounts moving forward. Melanie answered questions for Monica and Mary regarding the use of the District's billing software and showed them useful reports which the billing software will produce for the board's use.

From now until the end of the District's fiscal year on June 30th, Melanie offered to review the District's accounting entries and bank reconciliations using remote computer software with the approval of the board.

April 3, 2019

Update of Rate Study

TAUD performed a rate review for the District dated June 18, 2018. This rate review was based upon the number of customers reported in the District's last completed audit at the time of the rate review which was its fiscal year ending June 30, 2016. In that audit, the District indicated it had 418 customers. This customer count significantly overstated the actual number of active connections the District is billing each month. The UMRB requested that the District get an update to its rate review by TAUD using the current number of active connections.

TAUD updated its rate review by using the number of current active customer connections, 282 residential customers and 23 commercial customers. Using the District's current rates effective July 1, 2018, TAUD projected that District will have a negative change in net position before grants and contributed capital for this fiscal year ending June 30, 2019 of \$28,636.

Before TAUD can make any rate recommendations, Melanie would like to get some additional billing usage information from Monica which she hopes to get by the end of this week. A follow up letter will be sent to you regarding any rate recommendations after Melanie receives this additional information.

Review of Outstanding Bond Issues

The District has five outstanding bond issues, each bond issued to the United States Department of Agriculture, Rural Development which are as follows:

- \$50,000 Waterworks Revenue Bond, Series 2003 – September 3, 2003
- \$124,000 Waterworks Revenue Bond, Series 2004 - March 22, 2005
- \$29,000 Waterworks Revenue Bond, Series 2006 - August 24, 2006
- \$230,000 Waterworks Revenue Bond, Series 2012 – November 9, 2012
- \$99,000 Waterworks Revenue Bond, Series 2014 – April 10, 2014

I reviewed the bond transcripts of three of the five bond issues which were located at the District's office. I obtained and reviewed a copy of the bond transcripts of the \$124,000 Waterworks Revenue Bond, Series 2004 and \$29,000 Waterworks Revenue Bond, Series 2006 from the attorney who served as the bond counsel on these two bond issues. I have sent you a copy of these two bond transcripts for the District's records.

The bond resolution in each of these five bond issues mandate that the District establish a debt service reserve fund for each bond issue in the amount of one year's principal and interest payments. The total amount of the debt service reserve funds for all five bond issues is \$25,380. The District has a USDA Reserve Account which has a balance of \$11,952.20. As of March 31, 2019, the District has approximately \$75,000 in its Farmers State Bank account. The District

April 3, 2019

does need to transfer \$13,500 from Farmers State Bank account to the USDA Reserve Account to properly restrict the full amount of its required debt service reserve funds.

The District seems to be in compliance with all of the bond covenants in these outstanding bond issues.

Personnel Costs

The District's certified operator, Kevin Burchett, is no longer a resident of Tennessee. I understand that he now lives in Georgia and has been living there for several months. He returns only sporadically to perform some of his functions as the certified operator, but he has little if any contact with Monica, Mary or the board members when he returns. Since his move to Georgia, the District has continued to pay Mr. Burchett \$500 a month to be the District's certified operator.

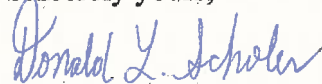
As a result, the District has hired two part-time employees, Monica Brumitt and Richard Pierce, to perform the day-to-day operations of the District in the field which Mr. Burchett used to perform as the certified operator. In addition, Monica has been performing some of the office duties which Mr. Burchett performed before moving to Georgia. Mr. Pierce is currently hired to work 20 hours a week. Monica is working the hours needed each week to assist Mr. Pierce in the field and to assist Mary in the office which hours can vary from week to week. Mary currently works 20 hours a week in the office.

It appears that the employee expenses being paid to operate the water system may be high due to Mr. Burchett's no longer residing in Butler. TAUD recommends that the board look at reducing the number part-time employees who are currently being paid to run the office and perform the day-to-day operations of the District's treatment plant and distribution system. The size of the District may warrant only one person to perform all office functions. The District may want to consider hiring another certified operator who is local who can not only be the District's certified operator but can take over the duties which Mr. Burchett used to perform which he is no longer performing. If the District decides to continue to use Mr. Burchett as its certified operator in the short term or long term, the District may want to consider changing his compensation. Since he seems to be working significantly less than he did while he resided in Butler, the District may need to consider changing his compensation to make it more commensurate with the tasks he is actually performing for the District.

April 3, 2019

The UMRB is having a meeting on April 19, 2019. I suggest you forward this letter to John Greer so he can have an update on the District's financial condition and on other issues which the UMRB addressed in its October 18, 2018 Order.

Sincerely yours,



Donald L. Scholes



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES
Johnson City Environmental Field Office
2305 Silverdale Road
Johnson City, Tennessee, 37601
Phone 423-854-5400 Statewide 1-888-891-8332 Fax 423-854-5401

CERTIFIED MAIL # 7018 1830 0001 0708 5465
RETURN RECEIPT REQUESTED

January 29, 2019

Mr. David Markland, President
Carderview Utility District
177 Rainbolt Street
Butler, TN 37640

RE: **NOTICE OF VIOLATION**
Carderview Utility District
PWSID #0000085
Johnson County

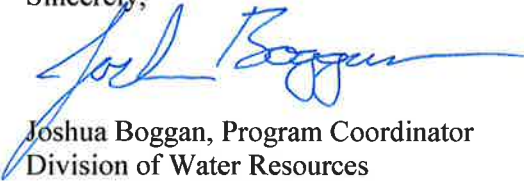
Dear Mr. Markland:

On December 21, 2018, personnel from the Division of Water Resources (DWR) visited Carderview Utility District to review the system's laboratory procedures, as well as the current status of an on-site operator. Because of the nature of the deficiencies detailed below, this letter serves as formal Notice of Violation (NOV) of applicable regulatory requirements.

Division Rule 0400-45-01-.17(1) states that all community water systems which are designated as a surface supply and classified as a filtration system and all iron removal plants which use gravity filters must have an operator in attendance and responsible for the treatment process when the plant is in operation. Gravity iron removal plants which have installed continuous monitoring equipment including equipment for turbidity and chlorine residual with alarms and/or shutdown ability may seek approval from the Department to operate the treatment plant in an automated mode without an operator in attendance. Since the iron removal process has been put in place, the certified operator for Carderview Utility District cannot satisfy the requirement of operator attendance for iron removal plants given the fact that the system's water treatment plant does not utilize all of the necessary continuous monitoring equipment as specified in Division Rule 0400-45-01-.17(1).

Additionally, the facility's Standard Operating Procedures (SOPs) for the operation of the water treatment plant were reviewed by Division personnel while on-site. It was determined that the necessary SOPs were either unavailable for review or inadequate in detail. The Division requests that you develop and submit, by February 20, 2019, a corrective action plan and proposed implementation schedule addressing this violation. If you have any questions or need additional information, please contact the Johnson City Environmental Field Office at (423) 854-5462.

Sincerely,

A handwritten signature in blue ink, appearing to read "Josh Boggan", is written over the typed name.

Joshua Boggan, Program Coordinator
Division of Water Resources
Johnson City Field Office
(423) 854-5462
Joshua.Boggan@tn.gov

cc: Mr. Kevin Burchett, Certified Operator
DWR/JCEFO File #0000085

CR/190219028

TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION**DIVISION OF WATER RESOURCES****OFFICE CORRESPONDENCE**

DATE: January 7, 2019

TO: Joshua Boggan, Program Manager
File #TN0000085

FROM: Dawn Taylor, JCEFO

SUBJECT: Carderview Utility District Site Visit

On December 21, 2018, myself and Jason Benton made a site visit to Carderview Utility District to review the system's laboratory procedures. System personnel were not present upon our arrival at the plant; however, one of the filter bay doors was unlocked. We were able to easily access the filters without system personnel present. Mr. Richard Pierce and Ms. Monica Pierce arrived at the plant approximately 20 minutes after our arrival.

The daily testing at the plant is conducted by Ms. Pierce. In order to certify Ms. Pierce to conduct this testing, we requested that she run each type of sample that the system runs daily. The following notations were made about the laboratory procedures:

pH: System personnel are not performing pH calibrations daily. Based on the average pH for the system, a daily calibration is required with the pH 7 and pH 10 buffers. The pH probe is currently being stored in tap water and should be stored in the storage solution.

Chlorine: When analyzing chlorine grab samples, the sample is being zeroed with a blank sample that is stored with the chlorine verification standards. The blank sample is of unknown age and quality. Each sample should be zeroed with water collected at the same time as the sample to be analyzed.

Chlorine verifications are being conducted every five days; however, the verifications standards are not dated and the age of the standards is unknown. The system should acquire new verification standards as the quality of the current standards is unknown.

Turbidity: The system uses a 0.5 NTU ICE-PIC for secondary verifications. Verifications are required to be within +/- 20% of 0.5 NTU. Many of the verifications were outside of the acceptable range.

SOPs: The system does not appear to have detailed SOPs for water plant operations. Detailed instructions on plant operation, sample analysis, and calibration should be available to system personnel operating the plant in the absence of the certified operator.

General Comments: Finished water samples are collected from the turbidimeter discharge water. These samples should be collected from the finished water faucet in the lab area.

Tennessee Department of Environment and Conservation
Division of Water Supply Office Correspondence

Date: March 24, 2010

To: Division of Water Supply Staff

From: Tom Moss, Acting Director, DWS

Re: Division Guidance Policy for Certified Operator
Availability and Interpretation of Division Rule 1200-
5-3-.04(3)

The Safe Drinking Water Act (SDWA) Amendments of 1996 directed the Administrator of the US Environmental Protection Agency (EPA), in cooperation with the states, to publish guidelines in the Federal Register specifying minimum standards of certification and recertification of operators of community and non-transient non-community public water systems (CWSs and NTNCWSs). The final guidelines were published February 5, 1999.

X

Although Tennessee had an existing operator certification program and regulations that were established pursuant to the Water Environmental Health Act, T.C.A. § 68-221-901 et seq., the EPA declined to conclude that the existing certification program was substantially equivalent to the federal guidelines. Consequently, the Tennessee Operator Certification Board revised certain requirements of the Water and Wastewater Operator Certification Rules found at Chapter 1200-5-3, including operator availability policy to satisfy federal standards. The EPA federal guidelines define available as follows: "Available-Based on system size, complexity, and source water quality, a certified operator must be on site or able to be contacted as needed to initiate the appropriate action in a timely manner." The amended definition of "Available" contained within Division Rule 1200-5-3-.05 is essentially the same as the federal definition. [E] In addition, the Tennessee Operator Certification Board adopted policy which established that if a certified operator had prepared standard operating procedures (SOP) describing his/her decisions regarding process control/system integrity manipulation for water quality and quantity produced and distributed, then he/she was available if such SOP was followed. [A] To address this issue, David Draughon, Director of the DWS, prepared Guidance for Preparing Standard Operating Procedures (Draft) and since it was issued November 8, 2001, many water systems have prepared SOP documents to address certified operator availability requirements.

However, neither the policy of the Tennessee Operator Certification Board nor the Draft Guidance for Preparing Standard Operation Procedures address the determining factors of system size, complexity and source water quality when considering the issue of availability. Although public water systems have been allowed to prepare SOPs to demonstrate availability of certified operators, without regard to system size, complexity and source water quality, such factors must be considered by Division staff when determining availability of certified staff. Failure to do so is contradictory to federal guidelines and Division Rule 1200-5-3-.05.

Although the federal guidelines established a degree of flexibility to States with regard to the definition of "Available", review of the document indicates that the intent of such flexibility clearly was to address small size, less complex water systems, for which certified operators on site during each operating shift would be financially prohibitive, or for the sharing of certified operators in those areas with a scarcity of qualified personnel. Clearly, large subpart H water systems of a complexity to necessitate individuals possessing Water Treatment 3 or greater certification were not the water systems of consideration with regard to such flexibility nor can such water systems establish financial detriment pertaining to on site certified operators.

Accordingly, after additional review of Division Rules 1200-5-3-.04(3), 1200-5-3-.05(1) and 1200-5-3-.05(5) and federal guidelines, it is imperative that Division staff review factors of system size, complexity and source water quality when considering availability of certified operators and preparation of Standard Operating Procedures. Recognizing that correct operation of water supply systems is necessary for the protection of the public health and the quality of the environment, these guidelines shall be considered minimally acceptable when determining compliance with respect to availability of certified operators:

* [Beginning January 1, 2011, all Public Water Systems must comply with Division Rules 1200-5-3-.04 and 1200-5-3-.05 and guidelines listed below. Failure to do so will be considered a violation of these regulations.]

1. Large subpart H public water systems serving a population greater than 10,000 individuals and of a complexity to require Water Treatment 3 or greater certification shall have a properly certified operator on site during each operating shift that process control/system integrity

decisions are being made or becomes necessary to be made. This requirement will be implemented in two phases over a 42 month period. Operations compliant with the current policy will be allowed to continue until July 1, 2012. After that time, these systems must have a certified water operator of some classification (Grades 1 through 4) on site for each operating shift. Beginning July 1, 2014, these systems must have a properly certified operator on site for each operating shift. If a system loses the services of a certified shift operator, the system must have an operator of some classification (Grades 1 through 4) to immediately fill the vacancy, to continue that shift's operations. The system will be allowed 30 months to acquire an operator of the proper classification. Without exception, the Operator in Direct Charge of a system must hold a certification equal to or higher than the classification of the plant.

2. Subpart H public water systems serving a population of 10,000 or less individuals and of a complexity to require Water Treatment 3 or greater certification shall have a properly certified operator on site during each operating shift or demonstrate availability of certified personnel through a Standard Operating Procedure consistent with guidance for preparation of such documents dated November 8, 2001. Persons subject to a Standard Operating Procedure may not possess a certificate of a grade equal to or higher than the grade of the treatment facility but shall possess certification themselves. Operations compliant with the current policy will be allowed to continue until July 1, 2012. After that time, these systems must have a certified water operator of some classification (Grades 1 through 4) on site for each operating shift in addition to the current requirements. If a system loses the services of a certified shift operator, the system must have an operator of some classification (Grades 1 through 4) to immediately fill the vacancy, to continue that shift's operations.
3. Ground water systems serving a population of greater than 10,000 individuals shall have a properly certified operator on site during each operating shift, if continuous monitoring equipment with alarms and/or shutdown capability is not utilized, or demonstrate availability of certified personnel through a Standard Operating Procedure consistent with guidance for preparation of such documents dated November 8, 2001. Persons subject to a Standard Operating Procedure may not possess a certificate of a grade equal to or higher than the grade of the treatment facility but shall possess certification themselves. Operations compliant with the current policy will be allowed to

continue until July 1, 2012. After that time, these systems must have a certified water operator of some classification (Grades 1 through 4) on site for each operating shift in addition to the current requirements. If a system loses the services of a certified shift operator, the system must have an operator of some classification (Grades 1 through 4) to immediately fill the vacancy, to continue that shift's operations.

- X [4. Ground water systems serving 50 or more service connections and a population of between 150 and 10,000 individuals shall have a properly certified operator on site during a portion of each day that water is treated and demonstrate availability of certified personnel through a Standard Operating Procedure consistent with guidance for preparation of such documents dated November 8, 2001, if the water treatment facility is not equipped with continuous monitoring equipment with alarms and/or shutdown capability.]
5. The Person or Certified Operator in Direct Charge that fails to demonstrate availability through a Standard Operating Procedure, consistent with guidance for preparation of such documents, shall ensure that a properly certified operator is on site during each operating shift;
 6. If an individual operator fails to adhere to decisions and directions established in a Standard Operating Procedure by the Certified Operator in Direct Charge, the Certified Operator in Direct Charge shall be deemed to have failed to demonstrate availability and shall ensure that a properly certified operator is on site during the requisite operating shift;
 7. Any Standard Operating Procedure executed pursuant to this policy must include actions to be initiated by the public water system to address any failure to adhere to the decisions and directions of the Certified Operator in Direct Charge; and
 8. For the purposes of this policy, population served by consecutive water systems shall be considered in size determinations rendered in accordance with this policy.

(Rule 0400-45-01-.15, continued)

by the Environmental Protection Agency will have compliance with the MCL determined on the analytical results of its sampling.

- (3) Those public water systems which purchase all their water and elect to use the analytical results of the system from which it purchases water shall be deemed to be in compliance with the monitoring and MCL requirements provided the seller of water is in compliance. Any violation of an MCL or monitoring requirement by the seller of water will constitute a violation for all systems which purchase water unless samples are taken as described in paragraph (2) of this rule.
- (4) All public notification requirements as contained in Rule 0400-45-01-.19 are the responsibility of the individual public water system regardless of which public water system conducts the analysis.
- (5) All public water systems must maintain records as required by Rule 0400-45-01-.20 of all analytical results which pertain to the system regardless of which system actually did the analysis.

Authority: T.C.A. §§ 68-221-701 et seq. and 4-5-201 et seq. **Administrative History:** Original rule filed August 1, 2012; effective October 30, 2012. Rule was previously numbered 1200-05-01.

0400-45-01-.16 SITING REQUIREMENTS.

- (1) Before a person may enter into a financial commitment for or initiate construction of a new public water system or increase capacity of an existing public water system, he shall notify the Department and, to the extent practicable, avoid locating part or all of the new or expanded facility at a site which:
 - (a) Is subject to a significant risk from earthquakes, floods, fires, or other disasters which could cause a breakdown of the public water system or a portion thereof; or
 - (b) Except for intake structures, is within the flood plain of a 100-years flood.
- (2) All other siting requirements shall be in accordance with those set forth in "Design Criteria for Public Water Systems" as published by the Department.

Authority: T.C.A. §§ 68-221-701 et seq. and 4-5-201 et seq. **Administrative History:** Original rule filed August 1, 2012; effective October 30, 2012. Rule was previously numbered 1200-05-01.

0400-45-01-.17 OPERATION AND MAINTENANCE REQUIREMENTS.

- * [(1) All community water systems which are designated as a surface supply and classified as a filtration system and all iron removal plants which use gravity filters must have an operator in attendance and responsible for the treatment process when the plant is in operation. Gravity iron removal plants which have installed continuous monitoring equipment including equipment for turbidity and chlorine residual with alarms and/or shutdown ability may seek approval from the Department to operate the treatment plant in an automated mode without an operator in attendance. All iron removal plants with pressure filters and using a ground water source from an approved sand and gravel formation will not be required to have an operator in attendance during all periods of operation provided suitable protection, acceptable to the Department, is provided.]

Non-community water systems which are classified as a surface supply will be required to have a full time operator in attendance unless certain continuous monitoring equipment is installed.

Carderview Utility District

177 Rainbolt Street Butler, Tennessee 37658 | 423-768-2527 | carderviewud@gmail.com

11/30/18

John Greer
Tennessee Comptroller of the Treasury
Division of Administration
Fourth Floor Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243-3400

Dear John Greer,

After considerable conversation with the commissioners, we respectfully request an extension for deciding the proper course of action for our community. Upon receiving our Audit Report FYE 2018, our commissioners will be reviewing it in order to make more effective decisions for the utility district. We will also be in touch with TAUD to revise our previous rate study to come up with a solution that will satisfy all involved.

Sincerely,


Commissioner / President

Kevin Burchett

Operator, Carderview Utility District



Iron City Utility District

Iron City Utility District

	2016	2017	2018
Utility Revenue	\$168,994.00	\$139,237.00	\$0.00
Other Revenue	\$150.00	\$0.00	\$0.00
Operating Revenue	\$169,144.00	\$139,237.00	\$0.00
Operating Expenses	\$160,056.00	\$177,835.00	\$0.00
Operating Income	\$9,088.00	(\$38,598.00)	\$0.00
Non-Operating Revenues (Expenses)	\$200.00	\$316.00	\$0.00
Change In Net Position	\$9,288.00	(\$38,282.00)	\$0.00
Grant/Capital Contribution	\$0.00	\$0.00	\$0.00





Savannah Valley Utility District



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Savannah Valley Utility District

Staff Summary:

On October 6, 2016 the Board voted to initiate an investigation pursuant to T.C.A. § 7-82-709. The investigation was started in part because of the perceived balloon indebtedness of the District. Board staff determined that the District did have balloon indebtedness and had multiple commissioners that had missed training requirements.

The District took corrective action to remedy its financially suspect practices by not refinancing current bonds and raising the overage rate by over 43%. The District now has three properly appointed and trained commissioners. The District has added over 1,000 customers (approximately 15%) in the past few years.

The District will have all current debt paid off by 2034 and is in a position to continue its current strong financial performance into the foreseeable future.

Staff Recommendation:

Staff recommends the Board vote to close the investigation and release Savannah Valley Utility District from its oversight.

	A	B	C	D	E	F
1	SAVANNAH VALLEY UTILITY DISTRICT					
2	SAVANNAH VALLEY UTILITY DISTRICT					
3						
4		Audited	Audited	Audited	Audited	Audited
5	Fiscal Year April 30	2014	2015	2016	2017	2018
6	Water Revenues	\$ 3,395,052	\$ 3,586,700	\$ 3,886,171	\$ 4,783,729	\$ 4,705,494
7	Penalties	\$ 79,959	\$ 83,693	\$ 87,075	\$ 101,046	\$ 105,606
8	Service Fees	\$ 93,084	\$ 108,354	\$ 107,481	\$ 118,176	\$ 139,277
9	Tap Fees	\$ 175,872	\$ 187,575	\$ 209,800	\$ 276,400	\$ 358,000
10	Other Revenue	\$ 13,711	\$ 32,839	\$ 32,727	\$ 45,025	\$ 64,088
11						
12	Operating Revenue	\$ 3,757,678	\$ 3,999,161	\$ 4,323,254	\$ 5,324,376	\$ 5,372,465
13						
14	Operating Expenses	\$ (2,120,875)	\$ (2,081,467)	\$ (2,154,128)	\$ (2,208,515)	\$ (2,192,597)
15						
16	Operating Income	\$ 1,636,803	\$ 1,917,694	\$ 2,169,126	\$ 3,115,861	\$ 3,179,868
17						
18	Depreciation	\$ (878,821)	\$ (960,524)	\$ (972,254)	\$ (1,020,503)	\$ (981,968)
19	Interest Income	\$ 17,138	\$ 20,275	\$ 26,345	\$ 32,926	\$ 37,759
20	Capital Contributions	\$ 28,748	\$ 13,044	\$ 700	\$ 34,878	\$ 2,200
21	Interest Expense	\$ (913,841)	\$ (1,031,234)	\$ (1,030,602)	\$ (1,028,926)	\$ (1,006,101)
22	Amortization	\$ 35,639	\$ 35,639	\$ 35,639	\$ 35,639	\$ 35,639
23	Grants	\$ -	\$ -	\$ -	\$ -	\$ -
24	Sale of assets	\$ 1,494	\$ 9,200	\$ 6,595	\$ -	\$ -
25						
26	Change in Net Position	\$ (72,840)	\$ 4,094	\$ 235,549	\$ 1,169,875	\$ 1,267,397
27						
28	Supplemental Info					
29	Principal payment		\$ 13,405	\$ 14,038	\$ 15,714	\$ 1,109,474
30	Water Supplied		913,317,000	933,739,000	986,708,000	920,836,000
31	Wauthorized Consumption		559,192,000	593,576,000	665,561,000	600,017,000
32						
33	Customers	8,659	8,849	9,089	9,424	9,716

2015

Meter Size	Minimum Gallons Included	Minimum Bill
3/4 Inch	2200	\$ 17.50
1 Inch	4000	\$ 45.91
1-1/2 Inch	20000	\$ 235.13
2 Inch	30000	\$ 350.30
4 Inch	250000	\$ 2,866.11
Per 1,000		\$ 5.50

2016

Meter Size	Minimum Gallons Included	Minimum Bill
3/4 Inch	2200	\$ 17.50
1 Inch	4000	\$ 45.91
2 Inch	30000	\$ 350.30
4 Inch	150000	\$ 1,200.00
Per 1,000		\$ 6.70

2017

Meter Size	Minimum Gallons Included	Minimum Bill
3/4 Inch	2200	\$ 17.50
1 Inch	4000	\$ 45.91
2 Inch	30000	\$ 350.30
4 Inch	150000	\$ 1,200.00
Per 1,000		\$ 7.90

2018

Meter Size	Minimum Gallons Included	Minimum Bill
3/4 Inch	2200	\$ 17.50
1 Inch	4000	\$ 45.91
2 Inch	30000	\$ 350.30
4 Inch	150000	\$ 1,200.00
Per 1,000		\$ 7.90



Comptroller Investigation



Northeast Knox Utility District



NORTHEAST KNOX UTILITY DISTRICT

Comptroller's Investigative Report
December 17, 2018

Justin P. Wilson, Comptroller





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

December 17, 2018

Board of Commissioners
Northeast Knox Utility District
7214 Washington Pike
Corryton, TN 37721

Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Northeast Knox Utility District, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General of the 6th Judicial District, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson", is written over a light gray rectangular background.

Justin P. Wilson
Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

NORTHEAST KNOX UTILITY DISTRICT

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Northeast Knox Utility District (district). The Comptroller's Office initiated the investigation after the district's auditor reported that district officials had discovered unusual adjustments to customer accounts.

INVESTIGATIVE RESULTS

- **Former customer service representative Sonya Sherrow misappropriated district collections totaling at least \$8,507**

During the period January 1, 2017, through August 7, 2017, former district customer service representative Sonya Sherrow misappropriated district collections totaling at least \$8,507. Sherrow employed two schemes to perpetrate her misappropriation of district funds as discussed below.

Fictitious Adjustments

Sherrow effectively concealed her misappropriation of district collections totaling at least \$6,346 by improperly recording those payment transactions as adjustments to the customers' accounts. This mischaracterization of collections as adjustments allowed her to divert district cash collections for her own benefit without prompt detection. Sherrow perpetrated her fictitious adjustment scheme without the knowledge or approval of the affected customers and district personnel. [Refer to Exhibit 1.]

Fictitious customer adjustment form prepared and posted by Sherrow. The customer advised investigators that he paid his bill and did not receive an adjustment.

Customer Account Adjustment		DATE _____																																			
Account Number: [REDACTED]		Account Name: _____																																			
Adjustment Type:		Reason for Adjustment:																																			
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td><input type="checkbox"/> Water Corrected Reading</td><td><input type="checkbox"/> Usage Adjustment</td></tr> <tr><td><input type="checkbox"/> Water Misc.</td><td><input type="checkbox"/> Return Check Fee</td></tr> <tr><td><input type="checkbox"/> Penalties</td><td><input type="checkbox"/> Service Charge</td></tr> <tr><td><input type="checkbox"/> Transfer Water</td><td><input type="checkbox"/> Transfer Service Charge</td></tr> <tr><td><input type="checkbox"/> [Old] Returned Check</td><td><input type="checkbox"/> Ret. Chk Fee</td></tr> <tr><td><input type="checkbox"/> Returned Check Amount</td><td><input type="checkbox"/> Returned Check Amount</td></tr> <tr><td><input type="checkbox"/> Tax Adjustment</td><td><input type="checkbox"/> Penalty Adjustment</td></tr> <tr><td><input type="checkbox"/> Refund Adj.</td><td><input type="checkbox"/> Ret. Bank Dlt. Fee</td></tr> <tr><td><input type="checkbox"/> Ret. Bank Dlt. Amt.</td><td><input type="checkbox"/> Payment Adj.</td></tr> </table>	<input type="checkbox"/> Water Corrected Reading	<input type="checkbox"/> Usage Adjustment	<input type="checkbox"/> Water Misc.	<input type="checkbox"/> Return Check Fee	<input type="checkbox"/> Penalties	<input type="checkbox"/> Service Charge	<input type="checkbox"/> Transfer Water	<input type="checkbox"/> Transfer Service Charge	<input type="checkbox"/> [Old] Returned Check	<input type="checkbox"/> Ret. Chk Fee	<input type="checkbox"/> Returned Check Amount	<input type="checkbox"/> Returned Check Amount	<input type="checkbox"/> Tax Adjustment	<input type="checkbox"/> Penalty Adjustment	<input type="checkbox"/> Refund Adj.	<input type="checkbox"/> Ret. Bank Dlt. Fee	<input type="checkbox"/> Ret. Bank Dlt. Amt.	<input type="checkbox"/> Payment Adj.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td><input type="checkbox"/> Misread</td><td><input type="checkbox"/> Penalty</td></tr> <tr><td><input type="checkbox"/> Leak</td><td><input type="checkbox"/> Gel Cap</td></tr> <tr><td><input type="checkbox"/> Our Leak</td><td><input type="checkbox"/> OVP</td></tr> <tr><td><input type="checkbox"/> Billing Error</td><td><input type="checkbox"/> Service Call</td></tr> <tr><td><input type="checkbox"/> Damaged Box & Lid</td><td><input type="checkbox"/> Uncollected</td></tr> <tr><td><input type="checkbox"/> NSF</td><td><input type="checkbox"/> Account Closed</td></tr> <tr><td><input type="checkbox"/> Adjustment Error</td><td><input type="checkbox"/> Sckt. Ret. Bill</td></tr> <tr><td><input type="checkbox"/> Damaged Meter</td><td><input type="checkbox"/> Service Charge</td></tr> <tr><td><input type="checkbox"/> Overpayment Refund</td><td><input type="checkbox"/> Void</td></tr> </table>	<input type="checkbox"/> Misread	<input type="checkbox"/> Penalty	<input type="checkbox"/> Leak	<input type="checkbox"/> Gel Cap	<input type="checkbox"/> Our Leak	<input type="checkbox"/> OVP	<input type="checkbox"/> Billing Error	<input type="checkbox"/> Service Call	<input type="checkbox"/> Damaged Box & Lid	<input type="checkbox"/> Uncollected	<input type="checkbox"/> NSF	<input type="checkbox"/> Account Closed	<input type="checkbox"/> Adjustment Error	<input type="checkbox"/> Sckt. Ret. Bill	<input type="checkbox"/> Damaged Meter	<input type="checkbox"/> Service Charge	<input type="checkbox"/> Overpayment Refund	<input type="checkbox"/> Void
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<input type="checkbox"/> Damaged Meter	<input type="checkbox"/> Service Charge																																				
<input type="checkbox"/> Overpayment Refund	<input type="checkbox"/> Void																																				
Adjustment Amount(s): (circle +) to add an amount to the account or (circle -) remove an amount from the account																																					
Month _____	Month _____	Month _____																																			
Gallons +/- _____	+/- _____	+/- _____ = +/- _____																																			
Water +/- <u>5595</u>	+/- _____	+/- _____ = +/- _____																																			
Tax +/- <u>467</u>	+/- _____	+/- _____ = +/- _____																																			
Penalty +/- _____	+/- _____	+/- _____ = +/- _____																																			
+/- _____	+/- _____	+/- _____ = +/- _____																																			
Total +/- _____	+/- _____	+/- _____ = +/- _____																																			
Comments: _____ _____ _____ _____																																					
Submitted By _____		Entered by _____																																			

Exhibit 1

Lapping Scheme

Sherrow misappropriated additional district collections totaling at least \$2,161 for her personal benefit. Sherrow employed a lapping scheme to effectively conceal this additional misappropriation, continually replacing collections she diverted for her personal use with collections received from other customers on subsequent days. Our analysis of bank records and district records revealed that Sherrow did not apply some customer payments to the correct account of the paying customer. Instead, she often falsely recorded payments in the accounts of customers whose payments she had previously diverted for her personal use or had otherwise manipulated.

Subsequent to her August 7, 2017, resignation, Sherrow delivered to the district over 100 money orders totaling \$2,161.26 to pay the outstanding customer account balances resulting from her lapping scheme. Sherrow used the mail and the district drop box to deliver these money orders purchased from various vendors apparently in an attempt to continue her concealment of this ongoing scheme.

Summary of Misappropriation by Sonya Sherrow

Misappropriation Scheme	Amount
Fictitious Adjustments	\$ 6,346
Lapping Scheme	<u>2,161</u>
Total	<u>\$ 8,507</u>

These matters were referred to the local district attorney general. In August 2018, Sonya Sherrow was indicted on one count of Theft over \$2,500, two counts of Forgery, one count of Official Misconduct and one count of Money Laundering.

ADDITIONAL ISSUES

Our investigation revealed deficiencies in financial processes, some of which contributed to the former customer service representative’s ability to perpetrate her misappropriation without prompt detection. These financial process deficiencies included:

- District officials failed to separate duties adequately. Customer service representatives collected and recorded customer payments and also recorded penalties and adjustments in customer accounts. Employees whose responsibilities include collecting and recording customer payments should not have the authority or ability to adjust customer bills.
- District officials failed to develop a written policy for adjustments. As a result, district officials could not ensure that district personnel were issuing customer adjustments objectively and consistently.

- District officials failed to review and ensure all adjustments were appropriate and to ensure that adequate documentation for each adjustment was required, recorded, and retained. District personnel granted leak adjustments without requiring documentation from customers confirming that a leak had occurred or had been fixed. In addition, customer service representatives had the authority to complete handwritten adjustment forms and to record the adjustments in customer accounts without any oversight or approval. No one reviewed the handwritten adjustment forms to ensure they were adequately and properly completed. District officials failed to verify that all adjustments were justified and properly calculated.

- District officials failed to ensure that collections were deposited intact. Collections were not deposited in the form (cash or check) and amount in which they were collected. The former customer service representative, as noted previously, failed to turn over all district collections for deposit, diverting some district funds for her personal benefit. Additionally, the district replenished petty cash funds by using customer collections to cash district checks.

District officials indicated that they have corrected or intend to correct these deficiencies.



Consolidations



Lone Oak Utility District



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Case: Lone Oak Utility District

Staff Summary:

On November 23, 2015, Lone Oak Utility District terminated its Operations and Management Agreement with Tennessee American Water. Effective the same date, Walden Ridge Utility District took over the operations and management of the District. The District signed a contract to merge with Walden Ridge Utility District effective July 1, 2019.

Walden Ridge has informed Lone Oak that they will not merge until they are able to purchase the Signal Mountain system. This is due in part, to Walden Ridge not wanting to change the composition of its board per the merger contract.

Lone Oak is not financially viable stand alone system.

Staff Recommendation

Order the following:

- 1. Lone Oak Utility District shall enforce the merger contract with Walden Ridge Utility District in consultation with its attorney.**

JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

MEMORANDUM

TO: Utility Management Review Board
FROM: Division of Local Government Audit - Municipalities and Utility Districts
SUBJECT: Division of Local Government Audit Referral Pursuant to TCA 7-82-703(a) & 7-82-401(h)
 In accordance with the requirements of Tennessee Code Annotated, we are hereby filing the following vendor with the board(s) noted above.

Record Number: Vendor Name: Component Unit

Report Year	Utility Type	Date Received	Date Referred	Reviewer	Report Status
12/31/2017	Water	6/1/2018	7/25/2018	irh	Not Yet Reviewed

FINANCIAL DISTRESS

A Has deficit net position for the fiscal year ended.

B Statutory Decrease in net position for two consecutive years.

Fiscal Year End	Statutory Decrease in NP
12/31/2017	(\$36,168.00)
12/31/2016	(\$19,194.00)

C Is in default on certain outstanding debt.

Holder of the Bonds, etc.	Principal	Interest
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

WATER LOSS

D Water Loss Referral

AWWA water audit info

Water Loss Schedule - Status: AWWA Excel File:

Validity score below the amount established by the board

Validity Score	85
----------------	----

Excessive non-revenue water % as established by the board
 (Non-Revenue Water as Percent by Cost of Operating System)

Non-Rev Water %	50.9
-----------------	------

Comments:

Lone Oak UTILITY DISTRICT
Post Office Box 693
Signal Mountain, Tennessee 37377

281

Commissioners:
Willford Swan, III, PRESIDENT
Tom Beard, VICE PRESIDENT
Nancy Craig, SECRETARY

General Manager
RONALD WEST

2018 December 10

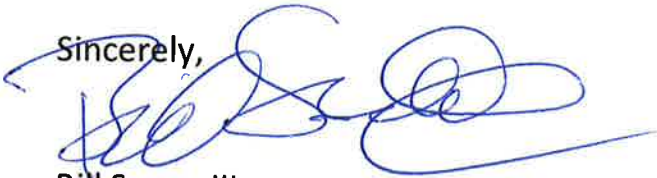
Mr. John Greer, Technical Secretary
Tennessee Comptroller of the Treasury
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243

Dear Mr. Greer:

We, the Board of Commissioners for Lone Oak Utility District, have planned to consolidate with Walden's Ridge Utility District effective July 1, 2019.

Should you have questions, please contact me. I can be reached by telephone at 423.240.0719 or email at wss3@epbfi.com.

Sincerely,



Bill Swan, III
President of the Board of Commissioners

MERGER AGREEMENT

This AGREEMENT made and entered into, by and between **Walden's Ridge Utility District of Hamilton County, Tennessee** (hereinafter referred to as "Walden's Ridge") and **Lone Oak Water Utility District of Sequatchie County, Tennessee** (hereinafter referred to as "Lone Oak").

WITNESSETH:

Whereas, Walden's Ridge Utility District of Hamilton County, Tennessee, is a single county utility district in Hamilton County organized and existing under T.C.A. § 7-82-101 *et seq.* which provides water service within its boundaries in Hamilton County and provides water service to persons in Sequatchie County;

Whereas, Lone Oak Water Utility District of Sequatchie County, Tennessee, is a single county utility district organized and existing under T.C.A. § 7-82-101 *et seq.* which provides water service within its boundaries in Sequatchie County and provides water service to a few customers in Marion County;

Whereas, Walden's Ridge sells water to Lone Oak for Lone Oak's customers and is Lone Oaks sole supplier of water;

Whereas, Walden's Ridge's currently provides operations and maintenance services for the Lone Oak water system under an Operations and Maintenance Agreement entered into in October, 2015;

Whereas, the Board of Commissioners of Lone Oak has determined that the merger of Lone Oak into Walden's Ridge is a more efficient and convenient way to furnish water service to

its customers and is in the best interests of the public served within its geographic boundaries in Sequatchie County and in Marion County;

Whereas, the Board of Commissioners of Walden's Ridge has determined that Walden's Ridge can own, operate and maintain the Lone Oak water system and that the merger of Lone Oak into Walden's Ridge is in the long term best interests of its customers and its water system; and

Whereas, Walden's Ridge and Lone Oak agree that the merger of Lone Oak into Walden's Ridge is required by the public convenience and necessity, is economically sound and feasible, and in the public interest.

NOW, THEREFORE, for and in consideration of the foregoing, and the terms, covenants and conditions hereinafter contained, Walden's Ridge and Lone Oak agree as follows:

1. **Petition.** Walden's Ridge and Lone Oak will file a joint petition with the Hamilton County Mayor and Sequatchie County Mayor for an order approving the merger of Lone Oak into Walden's Ridge.
2. **Merger.** Upon the effective date of the merger, Lone Oak will merge with and into Walden's Ridge which will be the surviving utility district.
3. **Rights and Duties.** Upon the effective date of the merger, Walden's Ridge will succeed to all rights, privileges, immunities, and franchises of Lone Oak, and will become solely responsible for the discharge of its duties, without the necessity of any separate transfer, assignment, or undertaking.

4. **Assets and Liabilities.** Upon the effective date of the merger, Walden's Ridge will succeed to all assets of Lone Oak of every kind, character, and description, real, personal, and mixed, tangible and intangible, and wherever situated, and will assume all of its liabilities, without the necessity of any separate transfer, assignment, or undertaking.

5. **Transfer of Title.** Lone Oak will execute and deliver to Walden's Ridge any and all appropriate documents of transfer as necessary to vest legal title of Lone Oak's property and assets in Walden's Ridge.

6. **Operation of System.** Upon the effective date of the merger, Walden's Ridge will assume the operation of the Lone Oak water system, will account for the revenues therefrom in such a manner as not to impair any contractual or other legal obligations of Lone Oak, and will fully preserve and protect the contract rights vested in the owners of such contractual and legal interests.

7. **Commissioners.** Pursuant to T.C.A. § 7-82-202(e)(2), Walden's Ridge and Lone Oak agree that the size of the Board of Commissioners of Walden's Ridge should be increased to five members upon the consummation of the merger. Walden's Ridge and Lone Oak agree that each utility district's board of commissioners will include an agreement to increase the size of the Board of Commissioners of Walden's Ridge to five members in their respective resolutions approving the merger. In the joint petition for an order approving the merger, Walden's Ridge and Lone Oak agree that they will name each of the current Commissioners of Walden's Ridge, Frank Groves Jr., David Fulton and Robert McKenzie, to serve on the Board of Commissioners of Walden's Ridge upon the merger and will name one member of the Board of Commissioners of Lone Oak, Bill Swan, III, to serve on the Board of Commissioners of Walden's Ridge upon

the merger. Walden's Ridge and Lone Oak agree to nominate in the joint petition either a resident within Walden's Ridge's current boundaries in Hamilton County or a customer of Walden's Ridge to serve as the fifth Commissioner on the Board of Commissioners of Walden's Ridge upon the merger.

8. **Officers.** Upon the effective date of the merger, the officers of Walden's Ridge will continue to serve as its officers until their successors have been duly elected and qualified.

9. **Prohibited Transactions.** Prior to the entry of the Merger Order, neither Walden's Ridge nor Lone Oak will engage in any activity or transaction other than in the ordinary course of business, except that both districts will take all action necessary or appropriate under the laws of the State of Tennessee to consummate the merger.

10. **Rates for Water Service.** After Lone Oak merges with and into Walden's Ridge, Walden's Ridge will charge the Lone Oak customers the same rates for water service which Walden's Ridge charges its own customers beginning with Walden's Ridge's first billing cycle after the effective date of the merger. Lone Oak's rates for water service and Walden's Ridge's rates for water service as of the date of this Agreement are attached as Exhibit A to the Agreement.

11. **Adoption of Merger Resolution.** The board of commissioners of Lone Oak and Walden's Ridge agree to adopt a resolution authorizing the merger within sixty (60) days of the execution of this Merger Agreement unless the parties agree to a later date by mutual consent.

12. **Filing of Joint Petition.** The parties agree that the joint petition for the approval of the merger will not be filed until Walden's Ridge has completed its negotiations to acquire the water system of Signal Mountain, Tennessee, and has either: (1) entered into an agreement with

Signal Mountain to acquire its water system; or (2) is unable to successfully negotiate the acquisition of the Signal Mountain water system. Notwithstanding the outcome of the negotiations between Walden's Ridge and Signal Mountain, the parties agree to file the joint petition no later than June 30, 2017.

13. **Consideration.** Upon the execution of this Merger Agreement, Walden's Ridge will pay Lone Oak \$60,000.00 which funds will be used by Lone Oak to purchase the assets which Tennessee American Water Company (TAWC) which TAWC claims it is owed under the Operation and Maintenance Agreement between Lone Oak and TAWC which was terminated by Lone Oak effective November 23, 2015. If Walden's Ridge and Lone Oak are unable to consummate the merger in accordance with the terms of this Merger Agreement, Lone Oak will refund the consideration paid of \$60,000.00 to Walden's Ridge.

14. **Condition Precedent.** Walden's Ridge's obligation to proceed with the merger is conditioned upon Lone Oak consummating the settlement of its pending dispute with TAWC on the amount Lone Oak owes TAWC for the value of TAWC's assets invested in the Lone Oak system as a result of Lone Oak's termination of its Operations and Maintenance Agreement with TAWC.

15. **Third Party Beneficiaries.** The parties understand, acknowledge and agree that the commissioners and customers of Lone Oak and Walden's Ridge are third party beneficiaries of this Agreement. These third party beneficiaries have the standing and right enforce the terms of the Agreement, including the right to obtain injunctive relief to enforce the Agreement and to enjoin each other from violating the terms and conditions of the Agreement.

16. **Cooperation.** The parties agree that they will cooperate with each other in all matters that are reasonably necessary or desirable to facilitate the performance of their respective obligations under this Merger Agreement.

17. **Modification of Agreement.** This Agreement may be modified only by written amendment executed by both parties.

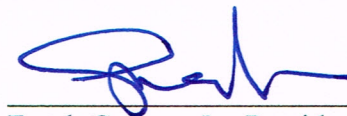
18. **Severability.** Should any provision of this Agreement be declared to be invalid by any court of competent jurisdiction, such provision will be severed and will not affect the validity of the remaining provisions of this Agreement.

19. **Governing Law.** The validity, construction and effect of this Agreement will be governed by the laws of the State of Tennessee.

IN WITNESS WHEREOF, the parties have caused their names to be subscribed hereto on the day and year first written under the parties' names.

**WALDEN'S RIDGE UTILITY DISTRICT OF
HAMILTON COUNTY, TENNESSEE**

By: _____



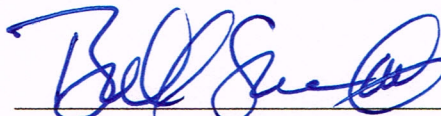
Frank Groves, Jr., President

Dated: _____

6.30.2016

**LONE OAK WATER UTILITY DISTRICT OF
SEQUATCHIE COUNTY, TENNESSEE**

By: _____



Bill Swan, III, President

Dated: _____

7-21-16



BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:

**T.C.A. § 7-82-709 INVESTIGATION OF
LONE OAK UTILITY DISTRICT**

ORDER

Pursuant to T.C.A. § 7-82-709(a), the Tennessee Utility Management Review Board (the "UMRB") reviewed this matter on August 6, 2015, upon conclusion of an investigation of the financial, technical, and managerial capacity of the Lone Oak Utility District (the "District") system. As noted in the attached report from counsel to the UMRB, the District's system deficiencies as of July 22, 2015 were the following:

- District records are grossly incomplete;
- District remains in financial distress;
- District's rates are being set by the Tennessee Regulatory Authority; and
- District's financial relationship with Tennessee-American Water Company ("TAWC") needs formal clarification.

Based on these deficiencies, the UMRB directs the District to comply with the following corrective action plan:

1. District to clarify financial relationship with TAWC either by properly terminating or amending the Operations and Maintenance Agreement between the District and TAWC (the "Agreement") in a timely manner to allow the District to set sufficient rates to eliminate its financial distress status;
2. District to notify the Tennessee Regulatory Authority of the District's inability to

set its own rates pursuant to state law; and

3. If District terminates the Agreement, District (or on its failure to do so, the UMRB) to initiate consolidation negotiations with a neighboring utility district (such as Walden's Ridge Utility District) pursuant to T.C.A. § 7-82-704(a).

Entered this 6th day of August, 2015.


Ann V. Butterworth, Chair
Utility Management Review Board

LONE OAK UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2017

OPERATING REVENUES	
Water sales	\$ 65,875
Penalties and fees	2,661
Tap fees	<u>10,950</u>
Total operating revenues	79,486
OPERATING EXPENSES	
	<u>66,716</u>
Net operating income before depreciation	12,770
DEPRECIATION	
	<u>48,938</u>
Net operating income (loss)	(36,168)
NONOPERATING REVENUES (EXPENSES)	
Capital contributions	<u>140,240</u>
INCREASE IN NET POSITION	
	104,072
Net position at beginning of year	<u>1,712,414</u>
Net position at end of year	<u><u>\$ 1,816,486</u></u>

The Notes to Financial Statements are an integral part of this statement.

**LONE OAK UTILITY DISTRICT
SCHEDULE OF WATER LOSS
DECEMBER 31, 2017**

AWWA Free Water Audit Software: System Attributes and Performance Indicators		WAS v5.0 American Water Works Association Copyright © 2014. All Rights Reserved																														
<p>Water Audit Report for: <input style="width: 80%;" type="text" value="Lone Oak Utility District"/></p> <p>Reporting Year: <input style="width: 15%;" type="text" value="2017"/> <input style="width: 15%;" type="text" value="1/2017 - 12/2017"/></p> <p style="text-align: center;">*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 85 out of 100 ***</p>																																
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<p>* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline</p>																																



Water Loss Update



Meeting Resolution



BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN RE:

CALENDAR YEAR 2019 REGULAR MEETING SCHEDULE

RESOLUTION

The Tennessee Utility Management Review Board ("UMRB") met on October 18, 2018, and unanimously endorsed by resolution the following regular meeting schedule for calendar year 2019, with all meetings to begin at 10 a.m. CT:

April 18

July 18

October 17

Entered this 4th day of January 2019.

Ann V. Butterworth, Chair
Utility Management Review Board



Board Discussion